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TANNER

Accountants & Advisors

Best Friends

BEST FRIENDS ANIMAL SOCIETY AND SUBSIDIARIES

Consolidated Financial Statements
As of and for the Year Ended September 30, 2025
(With Summarized Financial Information as of
and for the Year Ended September 30, 2024)

Together with Independent Auditors' Report

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TANNER

Independent Auditors' Report

To the Board of Directors
Best Friends Animal Society

Opinion

We have audited the accompanying consolidated financial statements of Best Friends Animal Society (a nonprofit organization) and subsidiaries (collectively, the Organization), which comprise the consolidated statement of financial position as of September 30, 2025, the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of September 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. 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 the Organization 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 the Organization'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 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 the Organization'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 the Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's consolidated financial statements as of September 30, 2024, and for the year then ended, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2024, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Tanner LLP

February 6, 2026

Consolidated Statements of Financial Position

	As of September 30,	
	2025	**2024**
Assets		
Cash and cash equivalents	$ 2,244,947	$ 1,225,654
Contribution and legacy receivables, net	5,119,445	5,572,361
Prepaids and other assets	11,259,847	10,090,631
Investments - general purpose	30,413,481	39,754,555
Cash and cash equivalents - restricted	2,488,283	1,667,834
Investments - restricted:		
Charitable gift annuities	21,801,834	20,406,817
Endowments	9,208,172	8,767,200
Property and equipment, net	92,650,303	93,480,200
Operating lease right-of-use assets	1,025,515	1,798,184
Finance lease right-of-use assets	77,668	108,736
Interest in perpetual trusts and charitable remainder trusts	18,399,611	17,700,029
Total assets	$ 194,689,106	$ 200,572,201
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$ 15,307,949	$ 15,265,651
Charitable gift annuities	5,389,708	4,960,023
Other liabilities	3,133,856	2,839,453
Line of credit	1,500,000	-
Operating lease liabilities	1,092,767	1,938,735
Finance lease liabilities	84,448	117,852
Notes payable, net of issuance costs	30,751,141	34,510,815
Total liabilities	57,259,869	59,632,529
Commitments and contingencies		
Net assets:		
Without donor restrictions:		
Undesignated	61,533,513	59,726,289
Designated	36,604,006	45,052,713
	98,137,519	104,779,002
With donor restrictions	39,291,718	36,160,670
Total net assets	137,429,237	140,939,672
Total liabilities and net assets	$ 194,689,106	$ 200,572,201

See accompanying notes to consolidated financial statements.

Consolidated Statement of Activities

For the Year Ended September 30, 2025
(With Summarized Financial Information for the Year Ended September 30, 2024)

	Without Donor Restrictions	With Donor Restrictions	2025 Total	2024 Total
Revenues, support, and reclassifications:				
Contributions of cash and other financial assets	$ 149,572,387	$ 14,398,990	$ 163,971,377	$ 139,102,223
Contributions of nonfinancial assets	105,538,296	-	105,538,296	146,197,635
Program events	367,716	-	367,716	764,037
Other revenue	3,290,023	-	3,290,023	4,571,413
Net assets released from restrictions	9,543,939	(9,543,939)	-	-
Total revenues, support, and reclassifications	268,312,361	4,855,051	273,167,412	290,635,308
Expenses:				
Sanctuary activities including animal care (excluding in-kind)	38,103,624	150,884	38,254,508	37,684,085
In-kind animal food, supplies, medical and other	2,148,911	-	2,148,911	1,235,321
National and regional programs (excluding in-kind)	91,878,126	2,081,778	93,959,904	91,223,359
In-kind advertising	103,363,667	-	103,363,667	142,671,126
Management and general (excluding in-kind)	11,188,488	330,802	11,519,290	12,804,232
Fundraising	29,842,599	-	29,842,599	29,328,224
Total expenses	276,525,415	2,563,464	279,088,879	314,946,347
Increase (decrease) in net assets before other income (expenses)	(8,213,054)	2,291,587	(5,921,467)	(24,311,039)
Other income (expenses):				
Other expenses and losses	(1,642,007)	-	(1,642,007)	(1,462,882)
Interest and dividend income, net	1,517,513	78,309	1,595,822	2,633,250
Realized and unrealized net investment gain	1,894,969	761,152	2,656,121	13,043,221
Roadhouse hotel and mercantile expenses, net of revenues	(644,577)	-	(644,577)	(957,770)
Net gain (loss) on disposal of assets	445,673	-	445,673	(10,674)
Total other income	1,571,571	839,461	2,411,032	13,245,145
Increase (decrease) in net assets	(6,641,483)	3,131,048	(3,510,435)	(11,065,894)
Net assets at beginning of the year	104,779,002	36,160,670	140,939,672	152,005,566
Net assets at end of the year	$ 98,137,519	$ 39,291,718	$ 137,429,237	$ 140,939,672

See accompanying notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

For the Year Ended September 30, 2025
(With Summarized Financial Information for the Year Ended September 30, 2024)

Expense Category	Sanctuary Activities including Animal Care	National and Regional Programs	Management and General	Fundraising	2025 Total	2024 Total
Advertising	$ 48,758	$ 2,672,593	$ 2,507	$ 3,591,451	$ 6,315,309	$ 8,539,489
Animal care	681,178	1,187,681	940	1,609	1,871,408	2,002,321
Bank fees and interest expense	66,115	38,168	2,163,410	-	2,267,693	1,958,649
Depreciation and amortization	2,032,342	1,282,626	382,437	6,381	3,703,786	2,573,950
Employee benefits	4,338,031	6,877,246	389,335	1,563,124	13,167,736	11,858,254
Employee expenses	519,710	713,234	284,162	193,009	1,710,115	2,014,636
Event expense	81,077	2,599,208	25,838	165,045	2,871,168	2,106,367
Facilities expenses	869,477	2,103,418	126,425	75,226	3,174,546	2,966,132
Grants to partners	185,112	15,338,260	5,000	12,500	15,540,872	17,110,977
Information technology	1,462,865	3,166,637	1,040,605	736,454	6,406,561	5,817,275
In-kind expenses	975,461	104,475,033	62,084	-	105,512,578	144,047,964
Payroll taxes	1,437,592	2,905,965	459,793	793,624	5,596,974	5,339,163
Postage and shipping	194,338	3,384,134	42,073	8,642,798	12,263,343	12,243,901
Professional services	138,345	1,914,193	750,830	2,015,563	4,818,931	7,248,052
Property taxes and insurance	2,407,110	233,120	306,146	49,287	2,995,663	2,694,243
Salaries and wages	19,728,523	39,684,925	5,097,384	11,457,160	75,967,992	70,967,738
Travel and entertainment	717,491	3,026,015	209,747	511,094	4,464,347	5,446,709
Utilities	497,660	470,074	69,658	18,662	1,056,054	1,118,611
Vehicle expense	557,115	386,017	3,885	8,972	955,989	907,730
Veterinary care	2,259,600	5,976,390	1,044	640	8,237,674	7,620,150
Other	32,069	-	158,071	-	190,140	364,036
Total	$ 39,229,969	$ 198,434,937	$ 11,581,374	$ 29,842,599	$ 279,088,879	$ 314,946,347

Consolidated Statements of Cash Flows

	For the Years Ended September 30,	
	2025	**2024**
Cash flows from operating activities:		
Decrease in net assets	$ (3,510,435)	$ (11,065,894)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	4,036,925	3,052,389
Amortization of operating lease right-of-use assets	855,687	473,183
Amortization of finance lease right-of-use assets	38,318	46,553
Amortization of debt issuance costs	25,336	25,371
Net loss (gain) on disposal of assets	(245,315)	10,674
Net realized gain on sale of investments	(5,113,409)	(777,255)
Net unrealized loss (gain) on investments	2,457,288	(12,265,966)
Net unrealized gain on interest in perpetual trusts and charitable remainder trusts	(699,582)	(1,776,565)
Change in value of charitable gift annuities	(1,231,924)	(96,649)
Donated inventory and other assets	(1,537,545)	(2,002,431)
Donated stocks	(7,971,724)	(2,276,363)
Donated buildings	(275,000)	(1,795,000)
Reinvested interest and dividends	(1,301,885)	(2,235,237)
Contributions with donor restrictions for long-term purposes	(2,041,036)	(2,411,646)
Changes in operating assets and liabilities:		
Contribution and legacy receivables	452,916	17,025,976
Prepaids and other assets	662,732	1,088,826
Operating lease asset and liability	(928,986)	(502,139)
Accounts payable and accrued liabilities	(357,379)	172,109
Net cash used in operating activities	(16,685,018)	(15,310,064)
Cash flows from investing activities:		
Proceeds from sale of investments	20,927,315	25,417,740
Purchases of investments	(1,492,500)	(1,287,117)
Purchases of property and equipment	(4,368,884)	(7,108,119)
Proceeds from sale/exchange of property and equipment	2,081,848	645,824
Net cash provided by investing activities	17,147,779	17,668,328
Cash flows from financing activities:		
Net increase (decrease) in line of credit	1,500,000	(2,834,296)
Principal payments on notes payable	(3,785,010)	(2,751,878)
Payments for charitable annuity obligations	(800,259)	(616,967)
Payment of finance lease obligations	(40,654)	(40,356)
Proceeds from charitable annuities	2,461,868	1,210,214
Contributions with donor restrictions for long-term purposes	2,041,036	2,411,646
Net cash provided by (used in) financing activities	1,376,981	(2,621,637)
Net change in cash, cash equivalents, and restricted cash	1,839,742	(263,373)
Cash, cash equivalents, and restricted cash beginning of the year	2,893,488	3,156,861
Cash, cash equivalents, and restricted cash end of the year	$ 4,733,230	$ 2,893,488

See accompanying notes to consolidated financial statements.

	For the Years Ended September 30,	
	2025	**2024**
Supplemental schedule of non-cash investing and financing transactions:		
Change in value of 5 Acres Agreements	$ 294,403	$ (52,648)
Property and equipment acquired through accounts payable and accrued liabilities	399,677	594,719
Operating lease right-of-use assets obtained in exchange for operating lease obligations	83,018	134,277
Finance lease right-of-use assets obtained in exchange for finance lease obligations	7,250	89,947
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 1,066,250	$ 1,019,729

1. Organization, Activities, and Significant Accounting Policies

Nature of Activities and Consolidation

Best Friends Animal Society and subsidiaries (collectively, Best Friends or the Organization) is a Utah nonprofit organization with the mission of developing no-kill programs and partnerships to bring about a day when there are no more homeless pets. Best Friends' leading initiatives in animal care and community programs are coordinated from its Kanab, Utah headquarters, one of the country's largest no-kill sanctuaries. Best Friends develops and refines model programs that are shared with other organizations and people, so that more animals can be saved. This work is made possible by the personal and financial support of a grassroots network of members and community partners across the nation.

Best Friends includes the following wholly-owned subsidiaries: Best Friends Productions, LLC (Productions), organized on November 12, 2013; 307 West Broadway, LLC (307 Broadway), organized on May 29, 2015; and Best Friends Wellness Center, Inc. (the Wellness Center), organized on February 13, 2015. The balances and activities of these entities have been included in the accompanying 2025 consolidated financial statements and 2024 summarized comparative information. All interorganizational amounts are eliminated in consolidation.

Financial Statement Presentation

The Organization reports its financial position and activities according to two classes of net assets:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, wherein the donor has stipulated the funds be maintained in perpetuity.

Basis of Accounting

The accompanying consolidated financial statements of Best Friends have been prepared using the accrual basis of accounting.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less.

Investments

Investments in equity and debt securities are measured at fair values in the consolidated statements of financial position to the extent such investments have quoted market values. Investments that do not have quoted market values are measured using alternative methods, including using net asset value (NAV) as a practical expedient as allowed by US GAAP. Unrealized gains and losses are included in the change in net assets. Investment returns are reported net of related external and direct internal investment expenses.

Various non-trading investments held are accounted for using the cost method but were initially valued at fair value on the date of donation. Income is recorded on these investments when cash is received.

Impairment of Long-lived Assets

Best Friends reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. An asset to be disposed of is reported at the lower of the carrying amount or fair value less costs to sell.

Property and Equipment

Best Friends capitalizes property and equipment additions of $10,000 or more. Such assets are recorded at historical cost if purchased or constructed. Donated assets are recorded at their estimated fair values at the date of donation. Maintenance, repairs and renewals that neither materially add to the value of the property nor appreciably prolong its useful life are charged to expense as incurred. Major renewals and betterments are capitalized. Gains and losses on dispositions of property and equipment are shown as other gains or losses on the consolidated statement of activities in the year of disposition.

Depreciation and amortization of property and equipment are calculated on the straight-line method over the following estimated useful lives, or lease terms, if shorter:

Furniture, fixtures, and equipment	3 - 22 years
Automobiles and trucks	5 - 7 years
Buildings and improvements	4 - 40 years
Software and website	2 - 8 years

Lease Commitments

The Organization leases certain office space, storage space, and equipment. The Organization assesses whether an arrangement qualifies as a lease (i.e., conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. For all arrangements where it is determined that a lease exists, the related right-of-use (ROU) assets and lease liabilities are recorded within the consolidated statement of financial position as either operating or finance leases. At inception or modification, the Organization calculates the present value of lease payments using the Organization's risk-free rate. The present value is adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g. commissions). The Organization's leases may require fixed rental payments, variable lease payments based on usage or sales and fixed non-lease costs relating to the leased asset. Variable lease payments are generally not included in the measurement of the ROU assets and lease liabilities. Leases with an initial term of 12 months or less are not recorded on the consolidated statement of financial position. Lease expense is recognized for these leases on a straight-line basis over the lease term. Fixed non-lease costs, for example common-area maintenance costs, taxes, insurance, and maintenance, are included in the measurement of the ROU asset and lease liability as the Organization does not separate lease and non-lease components.

Lease terms may include options to extend or terminate the lease when it is reasonably certain the Organization will exercise that option. The exercise of lease renewal options is at the Organization's sole discretion. The depreciable life of assets and leasehold improvements are limited by the expected lease term unless there is a transfer of title or purchase option reasonably certain of exercise.

Perpetual Trusts

Best Friends has been named the beneficiary of a certain portion of the investment income of trusts that are to continue in perpetuity. Best Friends records an asset on the consolidated statements of financial position for its interest in these perpetual trusts based upon the estimated fair value of Best Friends' share of the perpetual trust assets as of the reporting date. When Best Friends is notified of an interest in a new perpetual trust or when the perpetual trust appreciates in value, that interest is recorded as an increase in net assets with donor restrictions in the consolidated statement of activities. Income distributed to Best Friends by the perpetual trusts is recorded initially as part of net assets with donor restrictions until it is appropriated for use by the Board of Directors, at which time it is reported as part of net assets without donor restrictions.

Best Friends has also been named as the beneficiary of certain other perpetual trusts. However, based upon the conditions imposed by the related wills and trust documents and the uncertainty surrounding the ultimate amount, if any, that Best Friends will receive, these other perpetual trusts have not been recorded.

Contributions

Contributions, Best Friends' main source of support, are recorded as with or without donor restrictions, depending on the existence of any donor restrictions. Contributions are recorded when received unless verifiable documentation is available to support the accrual of a receivable (promise to give). Contributions from legacy gifts are recognized when the gift is binding on the donor's estate, when Best Friends has rights or claims to the assets, and when the gift is measurable. Conditional contributions, that is, those with measurable performance or other barriers, and a right of return, are not recognized until the conditions on which they depend have been substantially met. As of September 30, 2025 and 2024, the Organization has been informed of approximately $1,500,000 and $2,500,000 of conditional contributions, respectively, of which no amounts have been received in advance nor have they been recognized in the accompanying consolidated financial statements.

Contribution and legacy receivables are recognized when the donor makes a promise to Best Friends that is unconditional. Best Friends records an allowance for estimated uncollectible amounts. The allowance is based on prior years' experience and management's analysis of specific promises made.

When a donor restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same period as received are reported as support without donor restrictions.

Contributions of assets, other than cash, are recorded at their estimated fair value. Contributions that will be received within one year from the statement of financial position date are not discounted. Contributions that are to be received over multiple years are discounted. Contribution income from the amortization of the discount on the receivables is recognized on a straight-line basis, which materially approximates the effective interest method.

Contributed Goods and Services

Best Friends does not recognize in the consolidated financial statements any services contributed by volunteers. These services consist of assisting employees with animal care activities at the sanctuary and with other animal welfare activities nationwide.

Best Friends receives donated goods, primarily of animal food, animal support supplies, property, and equipment, which are valued at fair value at the time they are received. Fair value of donated animal food and animal support supplies is based on third party vendor quotes. During the years ended September 30, 2025 and 2024, Best Friends recognized approximately $1,537,000 and $1,943,000, respectively, of in-kind support related to such donations. During the years ended September 30, 2025 and 2024, Best Friends recognized approximately $275,000 and $1,795,000 of donated buildings, and $0 and $59,000 of donated equipment, respectively. The contributed animal food and support supplies were used for the care of animals located at Best Friends' animal sanctuary. The donated buildings, located in Utah, California, North Carolina, and New Jersey areas, were valued at fair value at time of donation, and sold a few months later. Donations of property are recorded at their estimated fair value on the date of donation. There were no donor restrictions on these donations.

Contributed services are recognized only when such services create or enhance nonfinancial assets; or when such services would otherwise have been purchased, require specialized skills to perform, and are provided by individuals possessing those specialized skills. During the years ended September 30, 2025 and 2024, Best Friends recognized approximately $362,000 and $442,000, respectively, of in-kind support related to such services. Such services included in-kind rent and professional services. The value of in-kind rent is based on the lease negotiated between the donor and the lessor. The contributed rent is for the Best Friends' Los Angeles, California location, which brings together animal rescue groups and city shelters, and hosts adoption events through the No-Kill Los Angeles (NKLA) Coalition. The value of the in-kind professional services is based on current market rates in the New York area, consisting of both data analytic and legal related professional services. There were no donor restrictions on these donations.

Best Friends also received approximately $103,364,000 and $141,959,000 of in-kind advertising in the form of television, radio, or other media during the years ended September 30, 2025 and 2024, respectively, which is recorded as both a nonfinancial donation and in-kind expense. The value of these PSA advertisements is the fair value based on the airtime, affiliate, media (Radio/TV), city and state of airing, length of advertisement, and program aired on.

The Organization had the following nonfinancial contributions received during the years ended September 30:

	2025	2024
Advertising	$ 103,363,667	$ 141,958,687
Animal food	1,453,925	1,526,308
Rent	300,000	300,000
Buildings	275,000	1,795,000
Animal supplies and medical care	83,200	392,181
Pro bono services	62,084	141,517
Janitorial and office supplies	406	1,263
Other	14	82,679
	$ 105,538,296	$ 146,197,635

Revenue Recognition

Revenue is measured as the amount of consideration that the Organization expects to receive in exchange for goods or services. Revenue is recognized after the Organization has (1) identified the customer contract, (2) identified the performance obligation in the contract, (3) determined the transaction price, (4) allocated the transaction price to the performance obligation in the contract and (5) recognized revenue when the performance obligation has been satisfied.

Best Friends provides adoption services and also certain medical care services for animals. The fees related to these services are recognized as revenue at the time the services are provided (point in time). In addition, Best Friends sells certain merchandise and rents lodging facilities to the public allowing volunteers and others to stay near the Best Friends' sanctuary for an extended period of time. Revenues from merchandise sales are recognized at the time of sale (point in time). Revenues from rental activities are deferred in accrued liabilities and recognized after the lodging services are provided (over time). These goods and services revenues are included in other revenue, or netted with the applicable expenses in other income, in the accompanying consolidated statement of activities. The Organization does not have any material contract assets as of September 30, 2025 and 2024.

The following table presents the Organization's revenue, disaggregated by the timing of satisfaction of the performance obligations, for the years ended September 30:

	2025	2024
Revenue recognized at a point in time	$ 2,956,015	$ 3,485,488
Revenue recognized over time	2,286,759	2,199,092
	$ 5,242,774	$ 5,684,580

Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities and functional expenses. Direct identifiable expenses are charged to program and supporting services. Expenses related to more than one function are allocated to program and supporting services on the following bases:

- Salaries and wages, employee benefits, employee expenses, overtime, payroll taxes, and promotional expenses are allocated on a basis of estimated time and effort spent in each function, and for the home department on the basis of employee full-time equivalent.

Joint Costs

Best Friends achieves some of its programmatic and fundraising goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns included certain joint costs that are not directly attributable to the program, management and general, or the fundraising component of the activities. Those joint costs totaled and were allocated as follows for the years ended September 30:

	2025	2024
Fundraising	$ 2,559,614	$ 1,655,848
National and regional programs	1,581,363	1,265,312
	$ 4,140,977	$ 2,921,160

Advertising

Advertising costs are expensed as incurred.

Income Taxes

Best Friends is a public charity under Section 501(c)(3) of the Internal Revenue Code (the IRC) and is, therefore, not subject to tax on income related to its exempt purposes under present income tax laws. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. Best Friends is required to operate in conformity with the IRC in order to maintain its qualification. Best Friends conducts a limited amount of activities that are subject to unrelated business income tax. As limited liability companies with one member, Productions and 307 Broadway are considered disregarded entities for tax purposes. The activities and balances of Productions and 307 Broadway are included with those of Best Friends Animal Society for tax reporting purposes. Best Friends Wellness Center, Inc. is organized as a corporation, separate from the tax-exempt entity. As a separate corporation, it files its own corporate income tax return and pays tax on its own taxable income. No tax provision is included for the Wellness Center as its tax liability is considered immaterial to the overall financial statements.

Best Friends has analyzed all tax positions for applicable tax jurisdictions for which the statute of limitations remain open, including U.S. federal and state jurisdictions for the years ended September 30, 2025 and 2024, and determined there were no material unrecognized tax benefits or obligations.

Prior-Year Summarized Comparative Information

The consolidated financial statements include certain 2024 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Best Friends' consolidated financial statements as of and for the year ended September 30, 2024, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2024 financial statement presentation to conform to the 2025 presentation.

Subsequent Events

Management of Best Friends has evaluated subsequent events through February 6, 2026, which is the date the financial statements were available to be issued.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statements of financial position, comprised the following as of September 30:

	2025	2024
Financial assets:		
Cash and cash equivalents	$ 4,733,230	$ 2,893,488
Investments	61,423,487	68,928,572
Contribution and legacy receivables, net	5,119,445	5,572,361
Interest in perpetual trusts and charitable remainder trusts	18,399,611	17,700,029
	89,675,773	95,094,450
Less amounts not available to be used for general expenditure within one year:		
Net assets with donor restrictions	39,291,718	36,160,670
Charitable gift annuities, less restricted reserves	16,017,128	15,579,942
	55,308,846	51,740,612
Net amount available	$ 34,366,927	$ 43,353,838

The Organization's operations rely primarily on contributions from private sources as well as in-kind donations of goods and services. These contributions are to be used directly for the Organization's overall mission, and for this reason, only a portion of the Organization's overall financial assets above are not available for general expenditure within one year based upon donor restrictions. The Board of Directors has designated a portion of net assets without donor restrictions as further described in Note 13. These board designated net assets have not been excluded from financial assets available for general expenditure within one year, in the table above, because these designated amounts may be utilized for general expenditure at any time with approval of the Board of Directors.

The Organization monitors its liquidity and cash flow needs through the use of a budget and cash flow projections to ensure that cash inflows are sufficient to cover projected cash outflows. The accompanying consolidated statements of cash flows identify the sources and uses of the Organization's cash. Cash used in operations for the year ended September 30, 2025, was $16,685,018. The Organization also has available the undrawn portion of $9,500,000 in lines of credit to enable effective cash management through cyclical volatility in contribution revenue.

3. Cash and Cash Equivalents

Cash restrictions relate to the unspent portion of donor-restricted contributions that are not expected to be spent in the subsequent year. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, exceed federally insured limits. To date, the Organization has not experienced a loss or lack of access to its invested cash and cash equivalents; however, no assurance can be provided that access to the Organization’s invested cash and cash equivalents will not be impacted by adverse conditions in the financial markets.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash accounts reported within the consolidated statements of financial position to the total of the same amounts shown in the consolidated statements of cash flows as of September 30, 2025 and 2024:

	2025	2024
Cash and cash equivalents	$ 2,244,947	$ 1,225,654
Cash and cash equivalents - restricted	2,488,283	1,667,834
	$ 4,733,230	$ 2,893,488

4. Investments

As of September 30, investments consisted of the following:

	2025	2024
Common stock	$ 23,008,536	$ 22,371,882
Mutual funds	11,253,785	22,197,076
Other bonds	10,006,953	12,440,174
Private equity	7,379,434	3,080,857
Hedge funds	6,633,205	6,406,738
Government bonds	2,812,104	2,202,387
Real estate investment trust	291,367	170,372
Other investments	38,103	59,086
	$ 61,423,487	$ 68,928,572

Components of investment income for the years ended September 30, 2025 and 2024, are summarized as follows:

	Year Ended September 30, 2025		
	Investments	Cash and Cash Equivalents	Total
Net realized gain on sale of investments	$ 5,113,409	$ -	$ 5,113,409
Net unrealized loss on investments	(2,457,288)		(2,457,288)
Net investment gain	2,656,121	-	2,656,121
Interest and dividend income	1,301,885 *	293,937	1,595,822
	$ 3,958,006	$ 293,937	$ 4,251,943

	Year Ended September 30, 2024		
	Investments	Cash and Cash Equivalents	Total
Net realized gain on sale of investments	$ 777,255	$ -	$ 777,255
Net unrealized gain on investments	12,265,966		12,265,966
Net investment gain	13,043,221	-	13,043,221
Interest and dividend income	2,235,237 *	398,013	2,633,250
	$ 15,278,458	$ 398,013	$ 15,676,471

* Includes interest and dividends relating to annuities and securities.

Investment expenses for the years ended September 30, 2025 and 2024, totaled $313,299 and $870,431, respectively, and were netted against related investment interest and dividend income on the accompanying consolidated statement of activities.

Investments in hedge funds are comprised of shares owned in Elliott International Limited, valued at $2,625,992 and $2,472,829 as of September 30, 2025 and 2024, respectively, GLAS funds valued at $2,772,696 and $2,800,618 as of September 30, 2025 and 2024, respectively, and Hudson Bay funds valued at $1,234,517 and $1,133,291 as of September 30, 2025 and 2024, respectively. Investments in private equity funds are comprised of shares owned in HS Group Sponsor Funds I & II valued at $4,328,329 and $0 as of September 30, 2025 and 2024, respectively, Altimeter Growth Partners VI LP funds valued at $993,600 as of September 30, 2025 and 2024, Viking Global Opportunities LP funds valued at $2,057,505 and $2,087,257 as of September 30, 2025 and 2024, respectively.

Elliott International Limited's investment strategy involves trading, through its affiliate, in a wide range of United States and non-United States equity and debt securities and other financial and investment interests, instruments, and property with the principal objective of generating a return consistent with a goal of minimizing losses during adverse financial market periods. Best Friends can redeem up to 25% of its shares of Elliott International Limited semi-annually on the first day of a fiscal quarter, although redemptions are not permitted on consecutive quarterly redemption dates. All redemptions are subject to a charge of 1.5% of the amount to be redeemed.

GLAS fund's investment strategy involves investing primarily in floating rate, senior secured, first lien term loans to U.S. middle market private equity-sponsored companies. The strategy focuses on capital preservation driven by in-depth credit analysis. A collaborative approach to sourcing produces substantial deal flow, allowing for investment selectivity while preserving economics for investors. Downside risk is managed through diversified portfolio construction. Best Friends can redeem its shares of GLAS funds quarterly or semi-annually, depending on the fund.

Hudson Bay International Fund, Ltd. (Hudson Bay) is a multi-manager, multi-strategy hedge fund focused on actively traded, catalyst-driven strategies across the capital structure. The fund seeks to deliver persistently positive returns with low correlation to broader equity and credit markets. Its flexible mandate allows for investments across a wide range of geographies, asset classes, and liquidity profiles, employing extensive leverage both for hedging and as part of arbitrage trades. Risk management is a cornerstone of the fund's approach, with monitoring at the position, portfolio manager, and overall portfolio levels to limit drawdowns. The fund is designed to serve as a diversifying allocation within portfolios, offering downside protection with limited beta and correlation to other asset classes, with a goal of generating returns of 3-5% over the risk-free rate. Best Friends can redeem its shares of the Hudson Bay funds quarterly, with a 12.5% gate.

The HS Group Sponsor Fund I and HS Group Sponsor Fund II are comprised of GP stake investments that provide seed and acceleration capital to emerging alternative asset managers, primarily within Asia but also across Europe and the United States, through private-equity-structured investments in management companies rather than in portfolio securities. The funds identify high-potential hedge fund and alternative investment managers and support their early-stage growth by supplying long-term capital and offering operational, governance, and institutionalization guidance. In exchange, the funds obtain structured economic interests—typically including revenue participation and performance-based economics—designed to capture the long-term value created as these managers scale. This strategic approach aligns with HS Group's broader mandate as a leading Asia-based seed capital provider focused on developing and institutionalizing emerging alternative investment platforms.

Altimeter Growth Partners VI LP (Altimeter) is a growth-stage venture capital fund with a primary focus on the technology sector. The Boston-based team is comprised of self-described "founders" who pride themselves on helping entrepreneurs break through the glass ceiling and disrupt the technology marketplace. They take a hands-on approach with their venture capital investments, trying to establish a partnership to help these early-stage companies reach their full potential. This particular fund is the 2021 vintage of one of their venture capital vehicles. Best Friends can redeem its shares of the Altimeter funds at the end of the 10-year life of the fund.

Viking Global Opportunities LP (Viking) is an evergreen hybrid public/private equity fund managed by Viking Global Investors. The fund combines investments in public equities, which represent the largest and most liquid names from Viking's hedge fund strategies, with a concentrated private equity portfolio. The public equity component is a fundamental, large-cap global equity strategy, while the private equity side is heavily focused on sectors like healthcare, software, and companies that align with Viking's "Great Business, Great Management" framework. The fund employs a long-term investment horizon of 3-5 years, complemented by active trading around positions. Viking operates with a multi-portfolio manager structure for public equities, leveraging sector-specific expertise, and a dedicated private equity team for illiquid investments. The fund's hybrid structure also allows for unique investment opportunities, such as stakes in publicly traded but illiquid securities and lower multiple, higher internal rate of return opportunities that are typically outside the scope of traditional private equity funds. Best Friends can redeem its shares of the Viking funds from the liquid portion of the Fund, which is made available to investors when Viking Fund receives distributions from exiting the underlying private equity investments.

5. Fair Value Measurement

US GAAP defines fair value and establishes a framework for measuring fair value. The standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

The fair value hierarchy prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

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

Level 3 – Prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable (supported by little or no market activity).

All investments are considered to be Level 1 with the exception of a Level 2 real estate investment valued at $291,367 and $170,372 as of September 30, 2025 and 2024, respectively, Level 3 private equity investments valued at $7,379,434 and $3,080,857 as of September 30, 2025 and 2024, respectively, as well as certain investments that, in accordance with US GAAP subtopic 820-10, have not been classified in the fair value hierarchy and are measured using the net asset value per share (or its equivalent) practical expedient and are summarized as follows:

Investments	Fair Value	Unfunded Commitments	Redemption on Frequency	Redemption on Notice Period
Hedge funds (2025)	$ 6,633,205	-	Quarterly or semi-annual	60-90 Days
Hedge funds (2024)	6,406,738	-	Quarterly or semi-annual	60-90 Days

Level 3 investment classification is based upon the significance of the unobservable inputs to the overall fair value measurement. Best Friends has established valuation processes and procedures to ensure that the valuation techniques that are categorized within level 3 of the fair value hierarchy are fair, consistent, and verifiable. Valuations are supported by market data, third-party pricing sources, industry-accepted pricing models, cost, and/or other methods Best Friends deems appropriate. Because of the inherent uncertainty in the valuation of level 3 investments, the estimates of fair value may differ from the value that would have been used had a ready market existed, and any difference could be material. The activity of level 3 investments consisted of the following:

Balance as of October 1, 2023	$ 492,833
Realized and unrealized gains and dividends, net of expenses	204,010
Acquisitions	2,384,014
Sales	-
Balance as of September 30, 2024	3,080,857
Realized and unrealized gains and dividends, net of expenses	(142,431)
Acquisitions	11,020,701
Sales	(6,579,693)
Balance as of September 30, 2025	$ 7,379,434

6. Contribution and Legacy Receivables

Best Friends expects to collect its contribution and legacy receivables over the following years as of September 30, 2025:

Years Ending September 30,		
2026	$	2,658,325
2027		651,000
2028		630,000
2029		352,875
2030		432,500
Thereafter		698,274
Total contribution and legacy receivables		5,422,974
Less discount		(279,657)
Less allowance for uncollectible amounts		(23,872)
Total	$	5,119,445

Contribution and legacy receivables expected to be collected in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.5%. Management has estimated and recorded an allowance for uncollectible receivables as of September 30, 2025, where collection was not deemed probable.

A major donor is one that comprises more than 10% of the Organization's contribution and legacy receivables. Concentrations of contribution and legacy receivables as of September 30 were as follows:

	2025	2024
Donor A	16%	17%
Donor B	27%	*

*Donor does not comprise 10% or more of the Organization's contribution and legacy receivables.

7. Property and Equipment

Property and equipment consisted of the following as of September 30:

		2025		2024
Buildings and improvements	$	82,930,973	$	73,063,808
Land		19,683,477		19,324,555
Construction in progress		8,419,525		16,474,361
Furniture, fixtures and equipment		7,985,970		7,424,055
Automobiles and trucks		5,221,946		4,925,448
Software and website		3,881,506		3,819,283
		128,123,397		125,031,510
Accumulated depreciation and amortization		(35,473,094)		(31,551,310)
Property and equipment, net	$	92,650,303	$	93,480,200

Depreciation and amortization expense for the years ended September 30, 2025 and 2024 totaled $4,036,925 and $3,052,389, respectively.

Internal and external costs incurred to develop internal-use computer software during its application development stage are capitalized according to US GAAP. Likewise, internal and external costs incurred to develop a website are also capitalized.

8. Lines of Credit

Best Friends had a credit facility with a financial institution, consisting of a bridge line of credit with interest at 2.5% above the 3-month United States Treasury Rate and a borrowing capacity of $6,000,000. As of September 30, 2025, the interest rate was 7.23%. The outstanding balance was $0 as of September 30, 2025 and 2024. The credit line was entered into in January 2016, renewed in May 2018, July 2020, June 2022, and June 2024, and matures on June 30, 2027. A letter of credit in the amount of $1,686,013 with maturity date of June 30, 2026, was issued from this $6,000,000 line of credit; this letter of credit directly reduces the amount available to borrow on this line. This line of credit requires the Organization to meet certain affirmative and negative covenants, which management believes the Organization was in compliance with as of September 30, 2025.

During fiscal year 2025, the Organization entered into another revolving line of credit with a financial institution, with a borrowing capacity of $3,500,000, and a maturity date of June 4, 2028. As of September 30, 2025, outstanding draws on the line of credit were $1,500,000. The line of credit bears an interest rate equal to the WSJ Prime less 1%, but no less than 4.25% (5.25% as of September 30, 2025). Interest payments are due monthly with outstanding principal due at maturity. The line of credit is secured by the investments held in the investment account with Zions Wealth Management.

9. Charitable Gift Annuities Payable

Best Friends has entered into charitable gift annuity agreements wherein donors (the annuitants) conveyed to Best Friends assets in exchange for annual payments to the annuitants during their lifetimes. The liability is calculated at the date of donation by calculating the present value of the annual payments over the expected remaining life of the annuitants. Contribution revenue, which is the fair value of the contribution less its corresponding liability, is included in the consolidated statement of activities in the year of contribution. Contribution revenue recognized under charitable gift annuity agreements during the years ended September 30, 2025 and 2024 totaled $2,461,868 and $1,210,214, respectively.

The following table shows the aggregate annual maturities over the next five years and thereafter as of September 30, 2025. Current annuities are paid out monthly, quarterly, semi-annually, or annually at a range of 0.83% to 22.6% of the original gift amount. Since the liability is estimated based upon the donor’s life expectancy, the duration of the actual payments could differ from those estimated.

Years Ending September 30,		
2026	$	637,105
2027		590,428
2028		568,429
2029		551,254
2030		480,517
Thereafter		2,561,975
Total annuities payable	$	5,389,708

10. Notes Payable

In July 2019, Best Friends entered a note payable agreement with a bank in the amount of $6,500,000. The Organization prepaid approximately $3,600,000 of the note during fiscal year 2020. As a result, the monthly installment of $49,828 was reduced to $16,862 and the interest rate was fixed at 4.464%. The note is secured by property and other investments held by the Organization. The note matures in July 2030. This note requires the Organization to meet certain affirmative and negative covenants.

In July 2020, Best Friends entered a note payable agreement with a bank in the amount of $23,500,000 which is due in monthly installments of $130,849. The note payable bears interest at 3%. The note is secured by property held by the Organization. The note matures in July 2030. This note requires the Organization to meet certain affirmative and negative covenants.

In August 2020, Best Friends entered a note payable agreement with a bank with an interest rate of 3.25% in the amount of $15,800,000, and due in monthly installments of $129,738. The note matures in March 2033. This note requires the Organization to meet certain affirmative and negative covenants.

In December 2021, Best Friends entered a note payable agreement with a foundation in the amount of $2,500,000, with no interest, and due in three payments: $500,000 paid on September 30, 2023, $500,000 paid on September 30, 2024, and $1,500,000 paid on September 30, 2025. The agreement matured on September 30, 2025, and was paid in full.

As of September 30, 2025, management believes the Organization was in compliance with all affirmative and negative debt covenants.

The scheduled maturities of the notes payable and the associated amortization of the debt issuance costs as of September 30, 2025, were as follows:

Years Ending September 30,	Principal Payable	Debt Issuance Costs
2026	$ 2,369,270	$ (25,522)
2027	2,447,292	(25,482)
2028	2,525,666	(25,443)
2029	4,220,548	(25,367)
2030	15,873,100	(20,573)
Thereafter	3,437,652	-
	$ 30,873,528	$ (122,387)

11. Leases

Lease assets and liabilities consisted of the following as of September 30:

Leases Classification	2025	2024
Assets		
Operating lease right-of-use assets	$ 1,025,515	$ 1,798,184
Finance lease right-of-use assets	77,668	108,736
Total lease assets	$ 1,103,183	$ 1,906,920
Liabilities		
Current:		
Current portion of long term operating lease liabilities	$ 676,510	$ 926,897
Current portion of long term finance lease liabilities	26,549	51,448
Noncurrent:		
Long term operating lease liabilities, less current portion	416,257	1,011,838
Long term finance lease liabilities, less current portion	57,899	66,404
Total lease liabilities	$ 1,177,215	$ 2,056,587

The components of lease expense were as follows for the years ended September 30:

Lease Cost	Classification	2025	2024
Operating	Facilities expenses	$ 918,311	$ 905,548
Short-term lease cost	Facilities expenses	386,423	381,684
Variable lease costs	Facilities expenses	357,267	408,199
Finance:			
Asset amortization	Finance lease right-of-use asset amortization	38,318	46,553
Interest on liability	Bank fees and interest expense	11,829	17,262
Total lease cost		$ 1,712,148	$ 1,759,246

The weighted average remaining lease terms and interest rates were as follows as of September 30:

Lease Term and Discount Rate	2025	2024
Weighted Average Remaining Lease Term (years)		
Operating leases	2.27	2.65
Finance leases	3.41	3.23
Weighted Average Discount Rate		
Operating leases	3.92%	3.96%
Finance leases	12.27%	12.28%

The following table reconciles the undiscounted future cash flows for the next five years and thereafter to the operating lease liabilities recorded within the consolidated statement of financial position as of September 30, 2025:

Maturities of Lease Liabilities		
Years ending September 30:	Operating	Finance
2025	$ 683,326	$ 34,936
2026	226,588	28,436
2027	116,321	25,772
2028	92,969	10,503
2029	23,408	2,939
Thereafter	-	-
Total lease payments	1,142,612	102,586
Less: interest	(49,845)	(18,138)
Present value of lease liabilities	$ 1,092,767	$ 84,448

Supplemental cash flow information related to lease commitments was as follows for the years ended September 30:

Supplemental Cash Flow Information				
		2025		**2024**
Operating cash flows from operating leases	$	991,610	$	948,066
Cash flows for finance leases		53,062		43,978
Lease assets obtained in exchange for lease obligations:				
Operating leases	$	83,018	$	134,277
Finance leases		7,250		89,947

12. Other Liability – 5 Acres Agreement

For a number of years, the Board of Directors of Best Friends has allowed certain founders to each occupy 5 acres of land owned by Best Friends for the purpose of constructing private residences under the terms of the 5 Acres Agreement. The qualifying founders are those who served long and faithfully in the mission of Best Friends for relatively little material reward. The qualifying founders are responsible for the payment of rent and for all costs of construction and maintenance of the residences.

Qualifying founders have the use of the land but have no ownership interest in it. Best Friends retains ownership of the land and also control of who uses it for residential purposes. When a 5-acre parcel becomes vacant or at the option of a founder, Best Friends will purchase the residence at the appraised replacement cost. Best Friends will assume and pay any financing related to the structure to the extent the amount outstanding is less than the replacement cost. If there is no such financing, the replacement cost is paid in full within one year to the estate of a deceased occupant or to the occupant if the occupant’s employment terminates.

Management has estimated the liability for these future purchases, which is included in the consolidated statements of financial position, based on factors such as: county market values, annual property appreciation, life expectancy, and a present value discount rate of 3%. A corresponding other asset, reflected in the consolidated statements of financial position, is recognized in connection with the liability. Furthermore, given the unique circumstances, it is possible that a significant portion of the qualifying founders will bequeath their residences to Best Friends upon death. Under such circumstances, Best Friends would not be required to purchase the residence.

13. Board Designated Net Assets Without Donor Restrictions

Board designated net assets without donor restrictions comprised the portion of net assets that the Board of Directors of the Organization has voluntarily designated for specific purposes, specifically a Reserve Fund.

The Reserve Fund exists to provide funds during times of revenue volatility, unplanned one-time expenses, or to be used to support the operations of the Organization in the event such funds are needed. The use of these funds requires the approval of the Board of Directors.

14. Net Assets With Donor Restrictions

Net assets with donor restrictions comprised the unspent portion of various restricted donations, which are restricted due to time or purpose, unappropriated earnings on the endowments, and the charitable gift annuity reserves required by the various states in which the contracts originated, net of the related liabilities, as shown below as of September 30:

	2025	2024
Purpose and time restricted net assets:		
Charitable gift annuity reserves	$ 5,784,706	$ 4,826,875
Outreach programs	4,339,792	2,776,119
Charitable remainder trusts	3,739,908	3,552,827
Donor endowment - unspent income	2,975,976	3,723,966
New buildings or equipment	891,939	187,329
Lifetime care of animals	417,818	469,576
	18,150,139	15,536,692
Interests in third-party trusts:	14,659,703	14,147,202
Donor restricted endowment funds:		
Endowments for operations	3,142,466	3,112,729
Endowments for dogs and other sanctuary animals	2,918,732	2,943,732
Other endowments - community cat program	420,678	420,315
	6,481,876	6,476,776
Total net assets with donor restrictions	$ 39,291,718	$ 36,160,670

Donor restricted endowment funds include original contributed principal of $6,481,876 and $6,476,766 as of September 30, 2025 and 2024 respectively, and no individual donor endowment has a current fair value that is less than the original contributed principal.

15. Endowments

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958 (ASC 958), *Not-for-profit entities,* provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The state of Utah has adopted UPMIFA. Best Friends' endowment fund consists of donor-restricted funds. As required by US GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as restricted in perpetuity is classified as part of net assets with donor restrictions 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 endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the endowment funds
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Net Assets Composition by Fund Type

The Organization's endowment funds and its interests in perpetual trusts held by others consisted of the following as of September 30:

	2025 With Donor Restrictions	2024 With Donor Restrictions
Interest in perpetual trusts held by others	$ 14,659,703	$ 14,147,202
Endowment funds	9,457,852	10,200,742
Total	$ 24,117,555	$ 24,347,944

Changes in Endowment Net Assets and Interests in Perpetual Trusts Held by Others

The changes in the endowment net assets and interests in perpetual trusts held by others were as follows for the years ended September 30, 2025 and 2024:

	With Donor Restrictions
Endowment net assets and interests in perpetual trusts held by others as of September 30, 2024	$ 24,347,944
Investment results:	
Investment income	78,309
Net gain (realized and unrealized)	1,273,654
Total net investment gain	1,351,963
Appropriation of endowment assets for expenditure	(1,582,352)
Endowment net assets and interests in perpetual trusts held by others as of September 30, 2025	$ 24,117,555

		With Donor Restrictions
Endowment net assets and interests in perpetual trusts held by others as of October 1, 2023	$	21,621,208
Investment results:		
Investment income		67,168
Net gain (realized and unrealized)		3,103,443
Total net investment income		3,170,611
Contributions		31,408
Appropriation of endowment assets for expenditure		(475,283)
Endowment net assets and interests in perpetual trusts held by others as of September 30, 2024	$	24,347,944

Return Objectives and Risk Parameters

Best Friends has adopted formal investment and spending policies specifically for endowment assets. Endowment assets include those assets of donor-restricted funds that Best Friends must hold in perpetuity. Under Best Friends' policies, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce a reasonable return while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, Best Friends 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). Best Friends targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policies

Best Friends' spending policies are consistent with the objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

16. Retirement Plan

Best Friends maintains a 401(k) plan. Employees age 18 or older are eligible for participation in the plan on the first day of the month following 60 days of employment. Matching contributions are available the first day of the quarter after having worked at least one year of full-time employment during which the employee was compensated for at least 1,000 hours, as measured from the employee's hiring anniversary date. Contributions are made based on regular payroll compensation for each eligible employee. The Organization's contributions to the plan were $3,193,484 and $2,750,635 for the years ended September 30, 2025 and 2024, respectively.

17. Commitments and Contingencies

Founder Post Employment Services Agreement

On April 29, 2011, the Board of Directors approved a "Post Employment Services Agreement" (Agreement) that replaced a Founders Retirement Program. This Agreement was established to formalize the continued contributions that founders (no longer working full-time at Best Friends) make, plus provide them a forum directly with the Board.

Participants of the Program provide services to Best Friends under their Post Employment Services Agreement. In exchange for the related services, the participating founders are entitled to bi-monthly payments as per the Post Employment Services Agreement. All founders who are no longer employed full-time by Best Friends are eligible to participate in this service-based agreement if they choose to do so. Seven and eight founders were active under this program during the years ended September 30, 2025 and 2024, respectively, and received compensation totaling $447,838 and $523,042, respectively, under the Post Employment Services Agreement.

Legal Matters

Best Friends is involved in various legal matters occurring in the normal course of its activities. Best Friends has accrued an estimate of what management anticipates will be required to resolve the matters. While the final outcomes cannot be determined at this time, management is of the opinion that the resolution of these matters will not have a material adverse effect on Best Friends' financial position.