HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

Audited Financial Statements

December 31, 2023 and 2022

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JOHNSON STONE & PAGANO, P.S.
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Independent Auditor's Report

Board of Directors
Humane Society for Tacoma and Pierce County
Tacoma, Washington

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Humane Society for Tacoma and Pierce County (a nonprofit organization) (the "Humane Society"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related 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 financial statements present fairly, in all material respects, the financial position of Humane Society for Tacoma and Pierce County as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Emphasis of a Matter

As discussed in Note 1 to the financial statements, the Humane Society has adopted the provisions of Financial Accounting Standards Board Accounting Standards Update 2016-03, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments*, as of January 1, 2023, using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 Humane Society for Tacoma and Pierce County 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 financial statements in accordance with U.S. GAAP, 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 Humane Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's 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 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 U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Humane Society's ability to continue as a going concern for a reasonable period of time.

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

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

July 9, 2024

AUDITED FINANCIAL STATEMENTS

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,230,407	$ 3,238,167
Investments, current portion	5,837,284	8,192,225
Accounts receivable	73,457	5,832
Contributions receivable	112,140	168,263
Inventory	39,384	29,181
Prepaid expenses	31,021	42,384
Total Current Assets	9,323,693	11,676,052
INVESTMENTS, net of current portion	3,011,506	
PROPERTY AND EQUIPMENT, net	2,579,986	2,676,866
ENDOWMENT FUNDS		
Magill Spay/Neuter Endowment	131,676	122,544
Bender Educational Endowment	7,604	7,076
Walker Cat Spay/Neuter Endowment	144,179	134,180
Nielsen Operations Endowment	16,499	15,355
Milgard Veterinary Endowment	657,067	611,497
William J. Gazecki Maintenance Endowment	1,992,588	1,854,397
Total Endowment Funds	2,949,613	2,745,049
OTHER ASSETS		
Beneficial interest in perpetual trusts	7,918,986	7,095,969
Total Other Assets	7,918,986	7,095,969
TOTAL ASSETS	$ 25,783,784	$ 24,193,936

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION (Continued)

December 31, 2023 and 2022

	2023	2022
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 110,552	$ 83,304
Accrued expenses	445,579	383,751
Deposits	25,000	25,000
Current portion of long-term liabilities	12,686	35,187
Total Current Liabilities	593,817	527,242
LONG-TERM LIABILITIES, net of current portion	8,963	77,168
Total Liabilities	602,780	604,410
NET ASSETS		
Without donor restrictions	13,768,620	13,024,908
With donor restrictions	11,412,384	10,564,618
Total Net Assets	25,181,004	23,589,526
TOTAL LIABILITIES AND NET ASSETS	$ 25,783,784	$ 24,193,936

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and other	$ 3,501,914	$ 1,762,463	$ 5,264,377
Service fees	2,139,348		2,139,348
Adoption fees	695,995		695,995
Drop off fees	144,086		144,086
Sales of pet supplies	94,710		94,710
Net investment gain	570,465	360,415	930,880
Change in value of trusts		823,017	823,017
Other income	45,296		45,296
Net assets released from restrictions	2,098,129	(2,098,129)	
Total Revenue and Support	9,289,943	847,766	10,137,709
FUNCTIONAL EXPENSES			
Program services	7,250,653		7,250,653
Supporting services			
Management and general	394,678		394,678
Development and fundraising	900,900		900,900
	1,295,578		1,295,578
Total Functional Expenses	8,546,231		8,546,231
CHANGE IN NET ASSETS	743,712	847,766	1,591,478
Net Assets at Beginning of Year	13,024,908	10,564,618	23,589,526
NET ASSETS AT END OF YEAR	$ 13,768,620	$ 11,412,384	$ 25,181,004

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF ACTIVITIES (Continued)

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and other	$ 4,860,993	$ 1,107,827	$ 5,968,820
Service fees	1,949,967		1,949,967
Adoption fees	721,618		721,618
Drop off fees	162,421		162,421
Sales of pet supplies	101,224		101,224
Net investment loss	(1,344,645)	(563,727)	(1,908,372)
Change in value of trusts		(2,316,230)	(2,316,230)
Other income	74,605		74,605
Net assets released from restrictions	1,088,393	(1,088,393)	
Total Revenue and Support	7,614,576	(2,860,523)	4,754,053
FUNCTIONAL EXPENSES			
Program services	6,375,857		6,375,857
Supporting services			
Management and general	411,550		411,550
Development and fundraising	872,139		872,139
	1,283,689		1,283,689
Total Functional Expenses	7,659,546		7,659,546
CHANGE IN NET ASSETS	(44,970)	(2,860,523)	(2,905,493)
Net Assets at Beginning of Year	13,069,878	13,425,141	26,495,019
NET ASSETS AT END OF YEAR	$ 13,024,908	$ 10,564,618	$ 23,589,526

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services							
	Sheltering and Adoptions Services	Medical Services	Community Awareness	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salary and wages	$ 1,906,533	$ 1,190,972	$ 327,359	$ 3,424,864	$ 225,259	$ 491,714	$ 716,973	$ 4,141,837
Payroll taxes and benefits	737,500	446,132	106,611	1,290,243	94,011	122,358	216,369	1,506,612
Total Employment Expenses	2,644,033	1,637,104	433,970	4,715,107	319,270	614,072	933,342	5,648,449
Depreciation	125,320	78,917	36,563	240,800				240,800
Medical supplies	23,732	385,529	10,943	420,204				420,204
Uniform expense	3,776	1,362		5,138				5,138
Advertising and promotion	70,001	41,350	19,058	130,409	142	121,584	121,726	252,135
Community veterinary services		59,120	23,065	82,185				82,185
Utilities	57,692	35,092	16,258	109,042				109,042
Printing		32	56	88	35	29,183	29,218	29,306
Professional fees	52,101	283,620	39,692	375,413	34,022	61,881	95,903	471,316
Computer maintenance and repair	46,176	23,965	22,367	92,508	19,172	12,781	31,953	124,461
Office supplies	5,488	5,056	3,837	14,381	2,497	2,824	5,321	19,702
Postage	604	110	134	848	799	18,776	19,575	20,423
Insurance	22,155	22,155	22,222	66,532				66,532
Food and provisions	109,458	109,130	109,130	327,718				327,718
Special event						26,846	26,846	26,846
Education and training	29,715	18,074	8,374	56,163				56,163
Meetings		282		282				282
Household and institutional	45,943	3,525	1,323	50,791				50,791
Telephone	5,259	4,152	3,875	13,286	3,321	2,214	5,535	18,821
Deceased animal disposal	95,183			95,183				95,183
Repair and maintenance	51,682	5,286	190	57,158				57,158
Membership dues	2,465	1,946	1,816	6,227				6,227
Equipment lease	8,442	6,664	6,220	21,326	1,557	1,038	2,595	23,921
Building, property and parking	13,397	10,577	9,871	33,845	5,332	3,554	8,886	42,731
Vehicles	847	10,073	324	11,244	8,461	5,641	14,102	25,346
Safety	25,147	2,994		28,141				28,141
Pet store supplies					70		70	70
Bad debts	90,969	22,617	17,958	131,544		250	250	131,794
Taxes, licenses and fees	160,663	4,249	178	165,090		256	256	165,346
TOTAL OPERATING EXEPNSES	$ 3,690,248	$ 2,772,981	$ 787,424	$ 7,250,653	$ 394,678	$ 900,900	$ 1,295,578	$ 8,546,231

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended December 31, 2022

	Program Services							
	Sheltering and Adoptions Services	Medical Services	Community Awareness	Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
Salary and wages	$ 1,722,687	$ 1,021,768	$ 239,171	$ 2,983,626	$ 307,761	$ 401,404	$ 709,165	$ 3,692,791
Payroll taxes and benefits	740,554	417,557	81,632	1,239,743	51,242	125,212	176,454	1,416,197
Total Employment Expenses	2,463,241	1,439,325	320,803	4,223,369	359,003	526,616	885,619	5,108,988
Depreciation	128,010	65,735	17,299	211,044				211,044
Medical supplies		378,204	15,457	393,661				393,661
Uniform expense	6,274	3,211	70	9,555				9,555
Advertising and promotion	457	116	34	607	55	237,907	237,962	238,569
Community veterinary services		203,628	54,081	257,709				257,709
Utilities	75,786	35,923	9,453	121,162				121,162
Printing	86	22	125	233	11	29,687	29,698	29,931
Professional fees	43,057	18,449	5,457	66,963	31,700	7,365	39,065	106,028
Computer maintenance and repair	38,147	17,441	4,785	60,373	4,210	25,291	29,501	89,874
Office supplies	8,530	2,850	1,398	12,778	761	1,548	2,309	15,087
Postage	610	67	180	857	1,427	14,131	15,558	16,415
Insurance	22,718	11,666	3,070	37,454				37,454
Food and provisions	285,320	57,714	62,665	405,699				405,699
Special event						23,487	23,487	23,487
Education and training	12,494	30,817	3,688	46,999		92	92	47,091
Meetings	807	1,166	109	2,082	196	109	305	2,387
Household and institutional	43,479	14,316		57,795				57,795
Telephone	8,883	4,495	1,183	14,561	2,129	1,183	3,312	17,873
Deceased animal disposal	70,551			70,551				70,551
Repair and maintenance	42,473	23,506	4,497	70,476	1,744		1,744	72,220
Membership dues		4,846		4,846	985	424	1,409	6,255
Equipment lease	8,498	12,127	1,148	21,773	2,067	1,148	3,215	24,988
Building, property and parking	23,319	11,975	3,151	38,445	5,672	3,151	8,823	47,268
Vehicles	20,729		781	21,510				21,510
Safety	4,594	2,212	582	7,388				7,388
Pet store supplies	54,956			54,956				54,956
Bad debts					1,590		1,590	1,590
Taxes, licenses and fees	98,878	50,772	13,361	163,011				163,011
TOTAL OPERATING EXPENSES	$ 3,461,897	$ 2,390,583	$ 523,377	$ 6,375,857	$ 411,550	$ 872,139	$ 1,283,689	$ 7,659,546

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,591,478	$ (2,905,493)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	240,800	211,044
Loss on disposal of property and equipment	1,663	
(Gain) loss on investments and endowments	(752,575)	2,097,880
(Increase) decrease in value of trusts	(823,017)	2,316,230
Amortization of operating-right-of-use assets	19,186	13,886
Net change in operating assets and liabilities	(11,972)	149,581
Net Cash Provided by Operating Activities	265,563	1,883,128
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(164,769)	(176,948)
Purchase of investments	(13,638,252)	(2,380,598)
Proceeds from sale of investments	13,529,698	1,820,316
Net Cash Used by Investing Activities	(273,323)	(737,230)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred compensation payments		(16,000)
Net Cash Used by Financing Activities		(16,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(7,760)	1,129,898
Cash and Cash Equivalents at Beginning of Year	3,238,167	2,108,269
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,230,407	$ 3,238,167

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF CASH FLOWS (Continued)

Years Ended December 31, 2023 and 2022

	2023	2022
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable	$ (67,625)	$ 612
Contributions receivable	56,123	13,718
Inventory	(10,203)	35,075
Prepaid expenses	11,363	(11,123)
Increase (decrease) in liabilities		
Accounts payable	27,248	(14,361)
Accrued expenses	61,828	100,791
Deferred compensation	(71,520)	13,755
Deposits		25,000
Operating lease liabilities	(19,186)	(13,886)
Net Change in Operating Assets and Liabilities	$ (11,972)	$ 149,581

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

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Operations
The mission of Humane Society for Tacoma and Pierce County (the "Humane Society") is to advance the welfare of animals and promote positive relationships between animals and people. This mission is accomplished through a variety of programs.

As an open admission shelter, all pets from seven jurisdictions served under sheltering contracts are accepted, either as strays or owner-surrendered. When space allows, pets may be transferred from other shelters or rescues to the Humane Society's facility. Healthy and medically treatable animals are made available for adoption if they are not claimed by an owner. All pets are spayed or neutered prior to adoption. A Barn Cat Program helps relocated outdoor cats that need new homes.

Community awareness programs include Pets for Life, providing resources for the underserved community; the Community Pet Food Pantry; and spay and neuter assistance for low income pet owners.

Active volunteer and fostering programs engage community members to assist with animal care, operations and community awareness programs.

Basis of Presentation
The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Humane Society is required to report information regarding its financial position and activities according to two classes of net assets based on the absence or existence and nature of donor-imposed restrictions as follows:

Net Assets without Donor Restrictions
Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions
Net assets subject to donor-imposed stipulations that can be fulfilled by actions of the Humane Society pursuant to those stipulations, or that expire by the passage of time, and net assets subject to donor-imposed stipulations that are to be maintained in perpetuity by the Humane Society. Generally, the donors of such assets permit the Humane Society to use all, or part, of the income earned on the assets.

Cash and Cash Equivalents
For purposes of the statements of cash flows, the Humane Society considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Assets for which the Humane Society has credit risk consist of monies held by one financial institution in the form of money market and checking accounts in excess of Federal Deposit Insurance Corporation limitations. Management of the Humane Society does not anticipate any material adverse effects on its financial position as a result of the concentration of credit risk.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable
Accounts receivable primarily represent contracts with individual municipalities and are stated at the amount management expects to collect from balances outstanding at year-end. The Humane Society has tracked historical loss information for its accounts receivable and compiled historical credit loss percentages for different aging categories (current, 1-30 days past due, 31-60 days past due, 61-90 days past due and more than 90 days past due).

Management believes that the historical loss information it has compiled is a reasonable basis on which to determine expected credit losses for accounts receivable held at December 31, 2023 and 2022 because the composition of the accounts receivable at those dates are consistent with that used in developing the historical credit-loss percentages. Additionally, management has determined that the current and reasonably supportable forecasted economic conditions are consistent with the economic conditions included in the historical information. As a result, the historical loss rates have not been adjusted for differences in current conditions or forecasted changes. Management considered all accounts receivable to be fully collectable and, accordingly, recorded no allowance for credit losses at December 31, 2023 and 2022.

Investments
Investments are stated at fair value. Realized and unrealized gains and losses are reflected in the statement of activities.

Fair Value Measurements
The Humane Society applies authoritative guidance related to fair value measurements that defines fair value, provides a framework to measure the fair value of assets and liabilities and requires certain disclosures about those measurements. The guidance establishes a hierarchy to prioritize the inputs that underlie a fair value measurement and requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs essentially distinguish the relative reliability of inputs to fair value measurements. Level 1 inputs are more reliable and objective than Level 2 inputs, which are in turn more reliable and objective than Level 3 inputs. In arriving at a fair value measure, the Humane Society is required to determine the level in the fair value hierarchy within which a fair value measurement ultimately falls and provide disclosure of such determinations.

Inventory
Inventory is stated at the lower of cost or net realizable value, and primarily includes pet supplies for resale.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment
Property and equipment are stated at cost or, if acquired by gift, at the estimated fair value at the date of the gift. Depreciation is provided over the estimated useful lives of the assets using the straight-line method. Gains and losses from disposition of property and equipment are recognized in the year of disposition. The estimated useful lives are summarized as follows:

	Years
Buildings and improvements	25 - 40
Vehicles	5
Plant and office equipment	5 - 7

Depreciation expense for the years ended December 31, 2023 and 2022 was $240,800 and $211,044, respectively.

Accounting for Long-lived Assets
The Humane Society makes a determination as circumstances indicate necessary as to whether the value of long-lived assets, including assets to be disposed of, have been impaired. The determination is based on several criteria, including, but not limited to, revenue trends, undiscounted operating cash flows and other operating factors. In management's opinion, there were no impairment adjustments for the years ended December 31, 2023 and 2022, respectively.

Contributions
The Humane Society records contributions, including unconditional promises to give, in the period made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

Recognition of Donor-restricted Contributions
All donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, the restricted net assets are reclassified to net assets without donor restrictions.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods
Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Humane Society received donated goods totaling $216,619 and $102,422 during the years ended December 31, 2023 and 2022, respectively.

Income Tax
The Humane Society is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. The Humane Society's legal name is the Tacoma-Pierce County Humane Society and Society for the Prevention of Cruelty to Animals.

Advertising
The costs of advertising are expensed as incurred. Advertising expense was $252,135 and $238,569 for the years ended December 31, 2023 and 2022, respectively.

Functional Allocation of Expenses
The costs of providing the Humane Society's program and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting services on the basis of benefits received.

Use of Estimates
The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and disclosures at the date of the financial statements. Actual results could differ from those estimates.

Adoption of New Accounting Standard
As of January 1, 2023, the Humane Society adopted Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit Losses on Financial Instruments* (ASU 2016-13), which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including trade and loan receivables. CECL requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. This standard provides financial statement users with more decision-useful information about the expected losses on financial instruments. The Humane Society adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new and enhanced disclosures only.

NOTE 1 - DESCRIPTION OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

The Humane Society evaluated for subsequent events and transactions for potential recognition and disclosure through July 9, 2024, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for expenditure, that is, without donor restrictions or designations limiting their use, within one year date of the statement of financial position, comprise the following at December 31:

	2023	2022
Cash and cash equivalents	$ 2,798,511	$ 2,682,831
Investments, current portion	5,837,284	8,192,225
Accounts receivable	73,457	5,832
Endowment spending rate distributions and appropriations	149,738	155,851
Total Financial Assets Available	$ 8,858,990	$ 11,036,739

The endowment funds consist of donor-restricted endowments at December 31, 2023 and 2022. The endowment funds are subject to an annual spending rate of up to 5% as described in Note 8. Income from donor-restricted endowments is for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 - INVESTMENTS

Investments are classified on the statement of financial position as follows at December 31:

	2023	2022
Investments	$ 8,848,790	$ 8,192,225
Magill Spay/Neuter Endowment	131,676	122,544
Bender Educational Endowment	7,604	7,076
Walker Cat Spay/Neuter Endowment	144,179	134,180
Neilsen Operations Endowment	16,499	15,355
Milgard Veterinary Endowment	657,067	611,497
William J. Gazecki Maintenance Endowment	1,992,588	1,854,397
	$ 11,798,403	$ 10,937,274

NOTE 3 - INVESTMENTS (Continued)

Investment return for the investments and endowments is summarized as follows for the years ended December 31:

	2023	2022
Interest and dividend income, net of expenses	$ 178,305	$ 189,508
Realized gain, net	489,975	126,798
Unrealized gain (loss), net	262,600	(2,224,678)
	$ 930,880	$ (1,908,372)

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis through application of applicable authoritative literature at December 31, 2023 and 2022, are as follows:

		Fair Value Measurements		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fair Value Measurements at December 31, 2023				
Money market	$ 148,014	$ 148,014		
Equities	4,460	4,460		
Mutual funds	2,294,076	2,294,076		
Bond funds	9,351,853	9,351,853		
Total Investments	11,798,403	11,798,403		
Beneficial interest in perpetual trusts	7,918,986		$ 7,918,986	
	$ 19,717,389	$ 11,798,403	$ 7,918,986	$

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

		Fair Value Measurements		
	Fair Value	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Fair Value Measurements at December 31, 2022				
Money market	$ 664,900	$ 664,900		
Equities	1,612,690	1,612,690		
Mutual funds	4,954,874	4,954,874		
Bond funds	3,704,810	3,704,810		
Total Investments	10,937,274	10,937,274		
Beneficial interest in perpetual trusts	7,095,969		$ 7,095,969	
	$ 18,033,243	$ 10,937,274	$ 7,095,969	$

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment at December 31, consist of the following:

	2023	2022
Building and improvements	$ 4,285,957	$ 4,277,761
Vehicles	66,869	94,584
Plant and office equipment	1,960,234	2,104,207
Operating right-of-use asset	40,009	54,721
Land	164,322	164,322
	6,517,391	6,695,595
Less accumulated depreciation and amortization	3,937,405	4,018,729
	$ 2,579,986	$ 2,676,866

NOTE 6 - LEASES

The Humane Society has entered into operating leases for certain equipment. The operating leases provide for renewal options for periods from one to five years at fair rental value at the time of renewal. In the normal course of business, assets under the operating lease are generally removed or replaced by other leased assets. Renewal options that are reasonably expected to be exercised are included in the value of the right-of-use asset and lease liability.

The weighted-average discount rate is based on the rate implicit in the lease. If the implicit rate is not readily determinable from the lease, the Humane Society estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using the Humane Society's applicable borrowing rates, when available, and the contractual lease term.

Total lease costs for the year ended December 31 were as follows and are included in equipment lease in the accompanying statements of functional expense:

	2023	2022
Operating lease costs	$ 21,155	$ 15,406
Variable lease costs	2,766	9,582
Total Lease Costs	$ 23,921	$ 24,988

The following summarizes the supplemental cash flow information for the year ended December 31:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 21,155	$ 15,406
Right-of-use assets obtained in exchange for lease liabilities		
Operating leases	$	$ 54,721

Accumulated amortization associated with right-of-use assets totaled $18,360 and $13,885 at December 31, 2023 and 2022, respectively.

NOTE 6 - LEASES (Continued)

The following summarizes the weighted-average remaining lease term and weight-average discount rate for the year ended December 31:

	2023	2022
Weighted-average remaining lease term		
Operating leases	1.67 years	2.37 years
Weighted-average discount rate		
Operating leases	7.00%	7.00%

The future minimum lease payments under the noncancelable operating lease with a term greater than one year are listed below as of December 31, 2023:

2024	$ 13,799
2025	9,200
Total Lease Payments	22,999
Less amounts representing interest	(1,350)
Present Value of Lease Liabilities	21,649
Less current portion of operating lease liability	(12,686)
Long-term Portion of Operating Lease Liability	$ 8,963

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets subject to donor-imposed stipulations regarding purpose or time are as follows at December 31:

	2023	2022
Time restricted contributions receivable	$ 112,140	$ 168,263
Restricted for specific uses	431,644	555,336
Subject to endowment spending policy and appropriation	704,783	500,219
	$ 1,248,567	$ 1,223,818

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets subject to donor-imposed stipulations to be maintained for perpetual duration are as follows at December 31:

	2023	2022
Endowment funds (see Note 8)	$ 2,244,830	$ 2,244,830
Lindberg Trust	211,620	198,615
Mattison Trust	900,304	810,542
Helen Mull Foundation Trust	6,807,063	6,086,813
	10,163,817	9,340,800
Total Net Assets with Donor Restrictions	$ 11,412,384	$ 10,564,618

NOTE 8 - ENDOWMENTS

The Humane Society's endowment consists of various funds established for a variety of purposes. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The following is a schedule of endowments at December 31:

	With Donor Restrictions		
	For Time or Purpose	For Perpetual Duration	Total
December 31, 2023			
Magill Spay/Neuter Endowment	$ 31,476	$ 100,200	$ 131,676
Bender Educational Endowment	1,518	6,086	7,604
Walker Cat Spay/Neuter Endowment	34,465	109,714	144,179
Neilsen Operations Endowment	3,944	12,555	16,499
Milgard Veterinary Endowment	157,067	500,000	657,067
William J. Gazecki Maintenance Endowment	476,313	1,516,275	1,992,588
	$ 704,783	$ 2,244,830	$ 2,949,613

NOTE 8 - ENDOWMENTS (Continued)

	With Donor Restrictions		
	For Time or Purpose	For Perpetual Duration	Total
December 31, 2022			
Magill Spay/Neuter Endowment	$ 22,344	$ 100,200	$ 122,544
Bender Educational Endowment	990	6,086	7,076
Walker Cat Spay/Neuter Endowment	24,466	109,714	134,180
Neilsen Operations Endowment	2,800	12,555	15,355
Milgard Veterinary Endowment	111,497	500,000	611,497
William J. Gazecki Maintenance Endowment	338,122	1,516,275	1,854,397
	$ 500,219	$ 2,244,830	$ 2,745,049

Interpretation of Relevant Law Applicable to Donor Restricted Funds
Donor-restricted funds are classified as net assets with donor restrictions and are subject to the Washington State Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors has interpreted the 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 Humane Society classifies as net assets of perpetual duration (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 endowment fund that is not classified as net assets of perpetual duration would be considered restricted for time or purpose until those amounts are appropriated for expenditure by the Humane Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

NOTE 8 - ENDOWMENTS (Continued)

Changes in endowment net assets for the year ended December 31, 2023 and 2022 are as follows:

	Without Donor Restrictions Board-Designated	With Donor Restrictions For Time or Purpose	With Donor Restrictions For Perpetual Duration	Total
Endowment Net Assets at Beginning of Year 2023		$ 500,219	$ 2,244,830	$ 2,745,049
Net investment return		360,415		360,415
Appropriation of endowment distribution		(155,851)		(155,851)
Endowment Net Assets at End of Year 2023	$	$ 704,783	$ 2,244,830	$ 2,949,613
Endowment Net Assets at Beginning of Year 2022		$ 1,230,790	$ 2,244,830	$ 3,475,620
Net investment loss		(563,727)		(563,727)
Appropriation of endowment distribution		(166,844)		(166,844)
Endowment Net Assets at End of Year 2022	$	$ 500,219	$ 2,244,830	$ 2,745,049

Funds with Deficiencies (Underwater Endowments)
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Humane Society to retain as a fund of perpetual duration. At December 31, 2023 and 2022, there were no endowment funds whose fair value was below the original corpus provided by the donor.

Spending Policy
The Humane Society has adopted a spending policy by which, at the discretion of the Board of Directors, the Board of Directors may annually distribute from the Endowment Fund up to a maximum of 5% of the rolling average of the fair market value for the 16 preceding quarters, if available for calculation. This will be applied based on certain limitations described in the policy. It is expected that over time, the total real return (i.e., total investment return, net of inflation) from investments will exceed the distribution rate, thus providing real growth of endowment assets.

NOTE 8 - ENDOWMENTS (Continued)

Return Objectives and Risk Parameters
The Humane Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Humane Society must hold in perpetuity. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that are to be compared regularly to the performance of equity and fixed income market indices, while assuming a moderate level of investment risk. The Humane Society expects its endowment funds, over time, to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objective
To satisfy its long-term rate-of-return objectives, the Humane 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 Humane Society 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.

NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Humane Society is the beneficiary of two perpetual trusts, with beneficial interests totaling $1,111,924 and $1,009,157 at December 31, 2023 and 2022, respectively. The assets are held by independent trustees. The Humane Society was given an irrevocable right to receive the income from the trust assets in perpetuity for support of general operations. The beneficial interests were recorded at the fair value of the assets in the underlying trusts and are adjusted annually for changes in fair value.

The Humane Society was the beneficiary of a perpetual trust from the Helen Mull Foundation. Previously, the Humane Society was informed that the foundation beneficiaries are now fixed for a 150-year term, therefore, the Humane Society recognized a perpetual interest in the foundation in the amount of $6,807,062 and $6,086,812 as of December 31, 2023 and 2022, respectively.

NOTE 10 - LONG-TERM LIABILITIES

Deferred Compensation Agreement
The Humane Society had a deferred compensation agreement with a former employee to provide retirement benefits in the amount of $16,000 per year for her lifetime. The estimated net present value of the remaining balance totaling $71,520 at December 31, 2022 had been recorded using a discount rate of 6.53%. In 2023, the former employee passed away and therefore there was no liability for the deferred compensation agreement at December 31, 2023.

NOTE 10 - LONG-TERM LIABILITIES (Continued)

Lease Liability
Long-term liabilities include an operating lease liability totaling $21,649 and $40,835 at December 31, 2023 and 2022, respectively, including a current portion of $12,686 and $19,187 at December 31, 2023 and 2022, respectively.

NOTE 11 - PENSION PLANS

Multi-employer Pension Plan
The Humane Society is a contributing employer to the Western Conference of Teamsters Pension Trust Fund, a multi-employer defined benefit plan, for the hours worked by eligible union employees. Management is not able to determine whether or not there are any unfunded union pension liabilities at December 31, 2023 and 2022, as the information is not available. The Humane Society has made all required payments during 2023 and 2022. The risks of participating in a multi-employer plan is different from a single-employer plan in the following aspects:

Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.

If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

If the Humane Society chooses to stop participating in its multi-employer plan, the Humane Society may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

The Humane Society's participation in this plan for the year ended December 31, 2023 and 2022 is outlined in the table below. The "EIN/Pension Plan Number" column provides the Employer Identification Number ("EIN") and three-digit plan number. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available is for the plan's year-end at December 31, 2023. The zone status is based on information that the Humane Society received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are less than 80% funded and plans in the green zone are at least 80% funded. The "FIP/RP Status/Implemented" column indicates if a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last column lists the expiration dates of the collective bargaining agreements to which the plan is subject.

NOTE 11 - PENSION PLANS (Continued)

Multi-employer Pension Plan *(Continued)*
The Company's contributions do not represent more than 5% of total contributions to the plans at December 31, 2023 and 2022.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status 2022	FIP/RP Status/ Implemented	Contributions 2023	Contributions 2022	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Western Conference of Teamsters Pension Plan	91-6145047 001	Green	N/A	$ 288,923	$ 232,656	No	5/31/2024

SEP Plan
Employees who have reached their second employment anniversary and worked more than 300 service hours in a calendar year, and who are not covered under a collective bargaining agreement, are eligible to participate in a simplified employee pension plan that was adopted in 1996. Contributions to this plan were $111,612 and $148,848 for the years ended December 31, 2023 and 2022, respectively.

NOTE 12 - CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Most hourly employees (representing approximately 82% of the Humane Society's employees) are covered under a labor agreement. In 2020, the Humane Society renegotiated the contract with the union, which was effective to December 31, 2023. As of the report date, the Humane Society is renegotiating the contract with the union. The Humane Society's other employees are not represented by a union.

NOTE 13 - FUNCTIONALIZED EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include building costs, as well as salary and wages, payroll taxes and benefits, professional services, office expenses, information technology, interest, insurance and other, which are allocated on the basis of estimates of time and effort.