

**HUMANE SOCIETY FOR TACOMA
AND PIERCE COUNTY**

Audited Financial Statements

December 31, 2025 and 2024

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

Audited Financial Statements

December 31, 2025 and 2024

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Fircrest, WA 98466-6060

Independent Auditor's Report

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

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, 2025 and 2024, 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, 2025 and 2024, 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").

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.

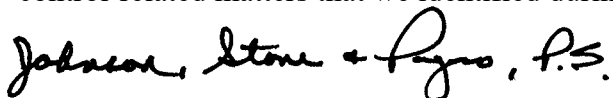
Auditor's Responsibilities for the Audit of the Financial Statements

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.
Fircrest, Washington

August 31, 2026

AUDITED FINANCIAL STATEMENTS

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,092,688	\$ 3,456,405
Investments	11,302,967	9,565,552
Accounts receivable	311,811	76,039
Contributions receivable		155,283
Inventory	38,091	50,384
Prepaid expenses	<u>323,013</u>	<u>276,917</u>
Total Current Assets	14,068,570	13,580,580
PROPERTY AND EQUIPMENT, net	3,148,195	2,407,928
ENDOWMENT FUNDS		
Magill Spay/Neuter Endowment	147,588	139,101
Bender Educational Endowment	8,662	8,032
Walker Cat Spay/Neuter Endowment	161,431	152,308
Neilsen Operations Endowment	18,304	17,429
Milgard Veterinary Endowment	736,343	694,114
William J. Gazecki Maintenance Endowment	2,232,315	2,104,937
Katie Madsen Endowment	<u>174,398</u>	<u>143,370</u>
Total Endowment Funds	3,479,041	3,259,291
OTHER ASSETS		
Beneficial interest in perpetual trusts	9,834,487	8,856,775
Deposit on equipment		<u>327,059</u>
Total Other Assets	<u>9,834,487</u>	<u>9,183,834</u>
TOTAL ASSETS	<u><u>\$ 30,530,293</u></u>	<u><u>\$ 28,431,633</u></u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 250,056	\$ 269,997
Accrued expenses	307,071	371,224
Deposits		25,000
Operating lease liability, current portion	<u>11,331</u>	<u>8,963</u>
Total Current Liabilities	568,458	675,184
OPERATING LEASE LIABILITY, net	<u>57,601</u>	
Total Liabilities	626,059	675,184
NET ASSETS		
Without donor restrictions	15,393,206	15,040,368
With donor restrictions	<u>14,511,028</u>	<u>12,716,081</u>
Total Net Assets	<u>29,904,234</u>	<u>27,756,449</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,530,293</u>	<u>\$ 28,431,633</u>

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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and other	\$ 5,423,504	\$ 1,838,802	\$ 7,262,306
Service fees	3,112,692		3,112,692
Adoption fees	871,349		871,349
Drop off fees	105,175		105,175
Sales of pet supplies	70,876		70,876
Net investment gain	511,601	348,147	859,748
Change in value of trusts		977,712	977,712
Other income	4,189		4,189
Net assets released from restrictions	<u>1,369,714</u>	<u>(1,369,714)</u>	
Total Revenue and Support	11,469,100	1,794,947	13,264,047
FUNCTIONAL EXPENSES			
Program services	9,684,297		9,684,297
Supporting services			
Management and general	390,892		390,892
Development and fundraising	<u>1,041,073</u>		<u>1,041,073</u>
	<u>1,431,965</u>		<u>1,431,965</u>
Total Functional Expenses	<u>11,116,262</u>		<u>11,116,262</u>
CHANGE IN NET ASSETS	352,838	1,794,947	2,147,785
Net Assets at Beginning of Year	<u>15,040,368</u>	<u>12,716,081</u>	<u>27,756,449</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,393,206</u>	<u>\$ 14,511,028</u>	<u>\$ 29,904,234</u>

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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and other	\$ 5,108,806	\$ 1,440,599	\$ 6,549,405
Service fees	2,195,474		2,195,474
Adoption fees	785,555		785,555
Drop off fees	128,227		128,227
Sales of pet supplies	78,514		78,514
Net investment gain	559,946	307,215	867,161
Change in value of trusts		937,789	937,789
Other income	35,282		35,282
Net assets released from restrictions	<u>1,381,906</u>	<u>(1,381,906)</u>	
Total Revenue and Support	<u>10,273,710</u>	<u>1,303,697</u>	<u>11,577,407</u>
FUNCTIONAL EXPENSES			
Program services	7,599,819		7,599,819
Supporting services			
Management and general	655,344		655,344
Development and fundraising	853,982		853,982
	<u>1,509,326</u>		<u>1,509,326</u>
Total Functional Expenses	<u>9,109,145</u>		<u>9,109,145</u>
CHANGE IN NET ASSETS	1,164,565	1,303,697	2,468,262
Net Assets at Beginning of Year	<u>13,875,803</u>	<u>11,412,384</u>	<u>25,288,187</u>
NET ASSETS AT END OF YEAR	<u>\$ 15,040,368</u>	<u>\$ 12,716,081</u>	<u>\$ 27,756,449</u>

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, 2025

	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	\$ 2,836,046	\$ 1,448,632	\$ 392,862	\$ 4,677,540	\$ 134,684	\$ 539,088	\$ 673,772	\$ 5,351,312
Payroll taxes and benefits	956,718	484,924	133,659	1,575,301	61,416	119,234	180,650	1,755,951
Total Employment Expenses	3,792,764	1,933,556	526,521	6,252,841	196,100	658,322	854,422	7,107,263
Depreciation and amortization	267,684			267,684				267,684
Medical supplies	108,709	411,636	7,831	528,176	305	204	509	528,685
Uniform expense	6,337	699	138	7,174	330	221	551	7,725
Advertising and promotion	42,724	40,704	42,921	126,349	151	81,777	81,928	208,277
Community veterinary services	5,296	56,017	144,835	206,148				206,148
Utilities	66,352	38,061	8,312	112,725	19,833	13,270	33,103	145,828
Printing	13	67	66	146	4	43,253	43,257	43,403
Professional fees	150,034	302,259	28,419	480,712	41,315	42,236	83,551	564,263
Computer maintenance and repair	70,794	37,378	9,508	117,680	18,545	88,781	107,326	225,006
Office expense	15,194	7,720	5,482	28,396	3,109	6,872	9,981	38,377
Postage	2,312	1,109	301	3,722	525	21,568	22,093	25,815
Insurance	101,677	59,191	12,738	173,606	30,391	20,335	50,726	224,332
Food and provisions	176,670	57,265	196,244	430,179	2,738	4,976	7,714	437,893
Special event expense	1,266	1,626	12,867	15,759	25	2,422	2,447	18,206
Education, training and recruitment	25,421	26,018	7,745	59,184	5,037	5,328	10,365	69,549
Meetings	2,748	1,249	262	4,259	625	453	1,078	5,337
Household and institutional	52,565	15,976	1,278	69,819	3,049	2,040	5,089	74,908
Telephone	11,643	6,678	1,567	19,888	3,341	2,385	5,726	25,614
Deceased animal disposal	107,239			107,239				107,239
Repair and maintenance	42,030	19,037	2,126	63,193	5,072	3,394	8,466	71,659
Membership dues	4,527	7,108	553	12,188	1,319	2,448	3,767	15,955
Equipment lease	10,686	6,130	1,339	18,155	3,194	2,137	5,331	23,486
Building, property and parking	49,698	25,360	5,538	80,596	13,215	8,842	22,057	102,653
Vehicles	7,056	7,242	1,069	15,367	2,053	1,374	3,427	18,794
Safety	1,974	358	66	2,398	90	87	177	2,575
Pet store supplies	31,965	210	46	32,221	109	73	182	32,403
Non-edible supplies/minor equipment/donated	109,638	17,401	90,173	217,212	2,416	1,966	4,382	221,594
Taxes, licenses and fees	125,255	72,699	15,691	213,645	37,439	26,091	63,530	277,175
Travel	1,948	1,505	301	3,754	562	531	1,093	4,847
Miscellaneous expense	5,052	424	8,406	13,882		(313)	(313)	13,569
TOTAL OPERATING EXPENSES	<u>\$ 5,397,271</u>	<u>\$ 3,154,683</u>	<u>\$ 1,132,343</u>	<u>\$ 9,684,297</u>	<u>\$ 390,892</u>	<u>\$ 1,041,073</u>	<u>\$ 1,431,965</u>	<u>\$ 11,116,262</u>

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, 2024

	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	\$ 1,980,114	\$ 1,440,974	\$ 398,920	\$ 3,820,008	\$ 308,374	\$ 473,049	\$ 781,423	\$ 4,601,431
Payroll taxes and benefits	616,278	385,989	100,848	1,103,115	122,208	110,313	232,521	1,335,636
Total Employment Expenses	2,596,392	1,826,963	499,768	4,923,123	430,582	583,362	1,013,944	5,937,067
Depreciation	130,807	74,123	31,947	236,877				236,877
Medical supplies	74,466	377,216	8,132	459,814				459,814
Uniform expense	15,043	1,936	326	17,305				17,305
Advertising and promotion	77,058	36,531	18,793	132,382	183	71,428	71,611	203,993
Community veterinary services	13,603	50,768	87,860	152,231				152,231
Utilities	73,289	35,129	15,140	123,558				123,558
Printing					67	85,823	85,890	85,890
Professional fees	40,723	70,229	26,622	137,574	110,931	27,480	138,411	275,985
Computer maintenance and repair	44,595	27,426	25,598	97,619	21,940	14,627	36,567	134,186
Office expense	2,532	2,492	3,032	8,056	17,515	1,572	19,087	27,143
Postage	522	58	11	591	2,148	13,739	15,887	16,478
Insurance	31,052	31,052	31,145	93,249				93,249
Food and provisions	135,461	135,056	135,056	405,573				405,573
Special event expense					47	26,814	26,861	26,861
Education, training and recruitment	45,394	21,759	9,378	76,531				76,531
Meetings					1,285	46	1,331	1,331
Household and institutional	53,661	3,764		57,425	16,750	15	16,765	74,190
Telephone	8,088	6,385	5,960	20,433	5,108	3,406	8,514	28,947
Deceased animal disposal	112,902			112,902				112,902
Repair and maintenance	23,856	16,282	15,196	55,334	13,025	8,684	21,709	77,043
Membership dues	7,219	5,639	5,263	18,121	4,511	3,007	7,518	25,639
Equipment lease	7,696	6,076	5,671	19,443	4,861	3,240	8,101	27,544
Building, property and parking	23,465	18,525	17,290	59,280	14,820	9,880	24,700	83,980
Vehicles		6,698	810	7,508				7,508
Safety	136	182		318	1,406		1,406	1,724
Pet store supplies	100,430	3,534	41,219	145,183	10,165	41	10,206	155,389
Taxes, licenses and fees	237,499	1,889		239,388		818	818	240,206
TOTAL OPERATING EXPENSES	\$ 3,855,890	\$ 2,759,712	\$ 984,217	\$ 7,599,819	\$ 655,344	\$ 853,982	\$ 1,509,326	\$ 9,109,145

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,147,785	\$ 2,468,262
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	267,684	236,877
Contributions restricted to endowment	(20,650)	(138,385)
Loss on disposal of property and equipment	36,171	
Gain on investments and endowments	(478,686)	(466,708)
Increase in value of trusts	(977,712)	(937,789)
Amortization of operating-right-of-use assets	8,962	12,686
Net change in operating assets and liabilities	<u>(232,349)</u>	<u>(123,034)</u>
Net Cash Provided by Operating Activities	751,205	1,051,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(657,093)	(77,505)
Deposit on equipment		(327,059)
Purchase of investments	(33,006,049)	(19,697,120)
Proceeds from sale of investments	<u>31,527,570</u>	<u>19,137,388</u>
Net Cash Used by Investing Activities	(2,135,572)	(964,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to endowment	<u>20,650</u>	<u>138,385</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,363,717)	225,998
Cash and Cash Equivalents at Beginning of Year	<u>3,456,405</u>	<u>3,230,407</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u><u>2,092,688</u></u>	\$ <u><u>3,456,405</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Right-of use asset against operating lease liability	\$ <u><u>68,932</u></u>	\$ <u><u> </u></u>
Deposit on equipment transferred to property and equipment	\$ <u><u>327,059</u></u>	\$ <u><u> </u></u>

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, 2025 and 2024

	<u>2025</u>	<u>2024</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable	\$ (235,772)	\$ (2,582)
Contributions receivable	155,283	(43,143)
Inventory	12,293	(11,000)
Prepaid expenses	(46,096)	(138,713)
Increase (decrease) in liabilities		
Accounts payable	(19,941)	159,445
Accrued expenses	(64,153)	(74,355)
Deposits	(25,000)	
Operating lease liabilities	<u>(8,963)</u>	<u>(12,686)</u>
 Net Change in Operating Assets and Liabilities	 \$ <u><u>(232,349)</u></u>	 \$ <u><u>(123,034)</u></u>

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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 relocate outdoor cats that need new homes.

Community programs include the Pet Food Pantry, providing resources for the underserved community; spay-and-neuter assistance for low-income pet owners; and S.P.O.T., a mobile veterinary unit that travels to rural communities, offering affordable medical procedures and wellness support for community cats through Targeted Trap-Neuter-Return ("TNR") services.

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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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

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.

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 uses the current expected credit loss methodology to estimate an allowance for its credit losses considering historical experience and current conditions. The Humane Society has elected the practical expedient to forgo the consideration of forecasts and has adopted the accounting policies election to consider subsequent collections of receivables when evaluating credit losses. Management considered all accounts receivable to be fully collectible and, accordingly, recorded no allowance for credit losses at December 31, 2025 and 2024.

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 food and animal care supplies.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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:

	<u>Years</u>
Buildings and improvements	25 - 40
Vehicles	5
Plant and office equipment	5 - 7

Depreciation expense for the years ended December 31, 2025 and 2024 was \$267,684 and \$236,877, 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, 2025 and 2024, respectively.

Contributions

The Humane Society records contributions, including unconditional promises to give, in the period received. 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. Contributions, including non-cash contributions, subject to donor-imposed stipulations that are met in the same reporting period are reported as increases in net assets without donor restrictions in the statements of activities.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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 \$340,594 and \$264,218 during the years ended December 31, 2025 and 2024, 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 \$208,277 and \$203,993 for the years ended December 31, 2025 and 2024, 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 and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Adoption of New Accounting Standard

In December 2025, the Humane Society adopted Accounting Standards Update ("ASU") No. 2025- 05, Financial Instruments - *Credit Losses* (Topic 326): *Measurement of Credit Losses for Accounts Receivable and Contract Assets* ("ASU 2025-05"). ASU 2025-05 introduces a practical expedient and an accounting policy election that simplifies the estimation of current expected credit losses ("CECL") for receivables arising from exchange transactions. Specifically, the Humane Society elected to consider subsequent collections of receivables when evaluating credit losses and no allowance was recorded for amounts collected prior to the date the financial statements were available to be issued. The impact of the adoption was not considered material to the financial statements, and it is expected to reduce the complexity of the CECL methodology.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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 August 31, 2026, 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 of the date of the statement of financial position, comprise the following at December 31:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 2,020,188	\$ 3,011,670
Investments	11,190,467	9,565,552
Accounts receivable	311,811	76,039
Endowment spending rate distributions and appropriations	<u>162,433</u>	<u>146,473</u>
Total Financial Assets Available	<u>\$ 13,684,899</u>	<u>\$ 12,799,734</u>

The endowment funds consist of donor-restricted endowments at December 31, 2025 and 2024. The endowment funds are subject to an annual spending rate of up to 5% as described in Note 9. 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:

	<u>2025</u>	<u>2024</u>
Investments	\$ 11,302,967	\$ 9,565,552
Magill Spay/Neuter Endowment	147,588	139,101
Bender Educational Endowment	8,662	8,032
Walker Cat Spay/Neuter Endowment	161,431	152,308
Neilsen Operations Endowment	18,304	17,429
Milgard Veterinary Endowment	736,343	694,114
William J. Gazecki Maintenance Endowment	2,232,315	2,104,937
Katie Madsen Endowment	<u>174,398</u>	<u>143,370</u>
	<u>\$ 14,782,008</u>	<u>\$ 12,824,843</u>

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 3 - INVESTMENTS (Continued)

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

	<u>2025</u>	<u>2024</u>
Interest and dividend income, net of expenses	\$ 496,904	\$ 313,905
Realized gain, net	153,656	70,034
Unrealized gain, net	<u>209,188</u>	<u>483,222</u>
	<u>\$ 859,748</u>	<u>\$ 867,161</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis through application of applicable authoritative literature at December 31, 2025 and 2024, are as follows:

		<u>Fair Value Measurements</u>		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Fair Value Measurements at				
December 31, 2025				
Money market	\$ 7,299,159	\$ 7,299,159		
Accrued interest	19,818	19,818		
Mutual funds	6,326,288	6,326,288		
Bond funds	846,720	846,720		
Alternative investments	<u>290,023</u>		\$ <u>290,023</u>	
Total Investments	14,782,008	14,491,985	290,023	
Beneficial interest in perpetual				
trusts				
	<u>9,834,487</u>		<u>9,834,487</u>	
	<u>\$ 24,616,495</u>	<u>\$ 14,491,985</u>	<u>\$ 10,124,510</u>	<u>\$</u>

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

		Fair Value Measurements		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
		<u>Fair Value</u>	<u>(Level 1)</u>	<u>(Level 2)</u>
				<u>(Level 3)</u>
Fair Value Measurements at				
December 31, 2024				
Money market	\$ 6,037,921	\$ 6,037,921		
Equities	2,020,169	2,020,169		
Mutual funds	3,717,246	3,717,246		
Bond funds	<u>1,049,507</u>	<u>777,744</u>	\$ <u>271,763</u>	
Total Investments	12,824,843	12,553,080	271,763	
Beneficial interest in perpetual				
trusts	<u>8,856,775</u>		<u>8,856,775</u>	
	<u>\$ 21,681,618</u>	<u>\$ 12,553,080</u>	<u>\$ 9,128,538</u>	<u>\$</u>

NOTE 5 - SELF-INSURANCE

The Humane Society is a member of the 501(c) Agencies Trust (the "Trust"). The Trust facilitates the utilization by member agencies of the reimbursement financing method of meeting obligations under Washington State Unemployment Insurance Statutes. As of December 31, 2025 and 2024, the Humane Society had deposits on hand with the Trust of \$59,385 and \$104,245, respectively. The amounts are reported with prepaid expenses in the statements of financial position. Any liability associated with outstanding unemployment claims cannot be reasonably estimated and therefore no amounts have been accrued as of December 31, 2025 and 2024.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 4,756,639	\$ 4,302,056
Vehicles	422,974	66,869
Plant and office equipment	2,095,094	2,021,640
Operating right-of-use asset	108,940	40,009
Land	<u>164,322</u>	<u>164,322</u>
	7,547,969	6,594,896
Less accumulated depreciation and amortization	<u>4,399,774</u>	<u>4,186,968</u>
	\$ <u>3,148,195</u>	\$ <u>2,407,928</u>

NOTE 7 - LEASES

Right-of-use ("ROU") assets represent Humane Society's right to use an underlying asset for the lease term, and lease liabilities represent Humane Society's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit lease rate, Humane Society uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Humane Society's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 7 - LEASES (Continued)

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:

	<u>2025</u>	<u>2024</u>
Operating lease costs	\$ 8,963	\$ 13,799
Variable lease costs	<u>14,523</u>	<u>13,745</u>
Total Lease Costs	\$ <u>23,486</u>	\$ <u>27,544</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>8,963</u>	\$ <u>13,799</u>

Accumulated amortization associated with right-of-use assets totaled \$40,009 and \$31,045 at December 31, 2025 and 2024, respectively.

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

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term		
Operating leases	5.25 years	.67 years
Weighted-average discount rate		
Operating leases	6.72%	7.00%

The future minimum lease payments under the non-cancelable operating lease with a term greater than one year are listed below as of December 31, 2025:

2026	\$ 15,618
2027	15,618
2028	15,618
2029	15,618
2030	15,618
Thereafter	<u>3,906</u>
Total Lease Payments	81,996

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 7 - LEASES (Continued)

Less amounts representing interest	\$ <u>(13,064)</u>
Present Value of Lease Liabilities	68,932
Less current portion of operating lease liability	<u>(11,331)</u>
Long-term Portion of Operating Lease Liability	\$ <u>57,601</u>

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Time restricted contributions	\$ 1,132,500	\$ 155,283
Restricted for specific uses	65,000	444,733
Subject to endowment spending policy and appropriation	<u>1,075,476</u>	<u>876,376</u>
	\$ <u>2,272,976</u>	\$ <u>1,476,392</u>

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

	<u>2025</u>	<u>2024</u>
Endowment funds (see Note 9)	\$ 2,403,565	\$ 2,382,915
Lindberg Trust	235,413	220,153
Mattison Trust	1,018,752	958,215
Helen Mull Foundation Trust	<u>8,580,322</u>	<u>7,678,406</u>
	<u>12,238,052</u>	<u>11,239,689</u>
Total Net Assets with Donor Restrictions	\$ <u>14,511,028</u>	\$ <u>12,716,081</u>

NOTE 9 - 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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 9 - - ENDOWMENTS (Continued)

The following is a schedule of endowments at December 31:

	With Donor Restrictions		
	For Time or Purpose	For Perpetual Duration	Total
<u>December 31, 2025</u>			
Magill Spay/Neuter Endowment	\$ 47,388	\$ 100,200	\$ 147,588
Bender Educational Endowment	2,876	5,786	8,662
Walker Cat Spay/Neuter Endowment	51,717	109,714	161,431
Neilsen Operations Endowment	5,749	12,555	18,304
Milgard Veterinary Endowment	236,343	500,000	736,343
William J. Gazecki Maintenance Endowment	716,040	1,516,275	2,232,315
Katie Madsen Endowment	<u>15,363</u>	<u>159,035</u>	<u>174,398</u>
	\$ <u>1,075,476</u>	\$ <u>2,403,565</u>	\$ <u>3,479,041</u>
<u>December 31, 2024</u>			
Magill Spay/Neuter Endowment	\$ 38,901	\$ 100,200	\$ 139,101
Bender Educational Endowment	2,246	5,786	8,032
Walker Cat Spay/Neuter Endowment	42,594	109,714	152,308
Neilsen Operations Endowment	4,874	12,555	17,429
Milgard Veterinary Endowment	194,114	500,000	694,114
William J. Gazecki Maintenance Endowment	588,662	1,516,275	2,104,937
Katie Madsen Endowment	<u>4,985</u>	<u>138,385</u>	<u>143,370</u>
	\$ <u>876,376</u>	\$ <u>2,382,915</u>	\$ <u>3,259,291</u>

Interpretation of Relevant Law Applicable to Donor Restricted Funds

Endowment 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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 9 - ENDOWMENTS (Continued)

Interpretation of Relevant Law Applicable to Donor Restricted Funds (Continued)

Changes in endowment net assets for the year ended December 31, 2025 and 2024 are as follows:

	<u>With Donor Restrictions</u>		
	<u>For Time or Purpose</u>	<u>For Perpetual Duration</u>	<u>Total</u>
Endowment Net Assets at Beginning of Year 2025	\$ 876,376	\$ 2,382,915	\$ 3,259,291
Contributions		20,650	20,650
Net investment return	348,147		348,147
Appropriation of endowment distribution	<u>(149,047)</u>	<u> </u>	<u>(149,047)</u>
Endowment Net Assets at End of Year 2025	\$ <u>1,075,476</u>	\$ <u>2,403,565</u>	\$ <u>3,479,041</u>
Endowment Net Assets at Beginning of Year 2024	\$ 704,783	\$ 2,244,830	\$ 2,949,613
Contributions	14,116	138,085	152,201
Net investment return	307,215		307,215
Appropriation of endowment distribution	<u>(149,738)</u>	<u> </u>	<u>(149,738)</u>
Endowment Net Assets at End of Year 2024	\$ <u>876,376</u>	\$ <u>2,382,915</u>	\$ <u>3,259,291</u>

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, 2025 and 2024, there were no endowment funds whose fair value was below the original corpus provided by the donor.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 9 - ENDOWMENTS (Continued)

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.

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 10 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Humane Society is the beneficiary of two perpetual trusts, with beneficial interests totaling \$1,254,165 and \$1,178,369 at December 31, 2025 and 2024, 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 \$8,580,322 and \$7,678,406 as of December 31, 2025 and 2024, respectively.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

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, 2025 and 2024, as the information is not available. The Humane Society has made all required payments during 2025 and 2024. 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, 2025 and 2024 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, 2025. 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.

The Company's contributions do not represent more than 5% of total contributions to the plans at December 31, 2025 and 2024.

<u>Pension Fund</u>	<u>EIN/ Pension Plan Number</u>	<u>Pension Protection Act Zone Status 2022</u>	<u>FIP/RP Status/ Implemented</u>	<u>Contributions</u>		<u>Surcharge Imposed</u>	<u>Expiration Date of Collective Bargaining Agreement</u>
				<u>2025</u>	<u>2024</u>		
Western Conference of Teamsters Pension Plan	91-6145047 001	Green	N/A	\$ 365,073	\$ 217,220	No	12/31/2026

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2025 and 2024

NOTE 11 - PENSION PLANS (Continued)

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 \$107,813 and \$117,637 for the years ended December 31, 2025 and 2024, respectively.

NOTE 12 - CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Union hourly employees (representing approximately 63% of the Humane Society's employees) are covered under a labor agreement. In 2024, the Humane Society renegotiated the contract with the union, which is effective to December 31, 2026. 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, insurance and other, which are allocated on the basis of estimates of time and effort.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

As of the date of this audit report, the Humane Society is involved in a lawsuit. At the present time, the possibility of a loss is probable, but potential damages are not estimable. Any potential damages are expected to be covered by insurance.