

**HUMANE SOCIETY FOR TACOMA
AND PIERCE COUNTY**

Audited Financial Statements

December 31, 2024 and 2023 (Restated)

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

Audited Financial Statements

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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, 2024 and 2023, 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America ("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.

2023 Financial Statements Restated

As discussed in Note 14 to the financial statements, the 2023 financial statements have been restated for a correction of an error. Our opinion is not modified with respect to this matter.

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.

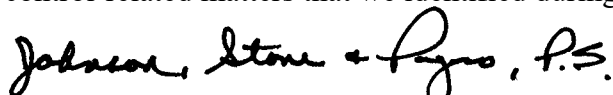
Auditor's Responsibilities for the Audit of the Financial Statements

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

October 16, 2025

AUDITED FINANCIAL STATEMENTS

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,456,405	\$ 3,230,407
Investments, current portion	9,565,552	5,837,284
Accounts receivable	76,039	73,457
Contributions receivable	155,283	112,140
Inventory	50,384	39,384
Prepaid expenses	276,917	138,204
Total Current Assets	13,580,580	9,430,876
INVESTMENTS, net		3,011,506
PROPERTY AND EQUIPMENT, net	2,407,928	2,579,986
ENDOWMENT FUNDS		
Magill Spay/Neuter Endowment	139,101	131,676
Bender Educational Endowment	8,032	7,604
Walker Cat Spay/Neuter Endowment	152,308	144,179
Nielsen Operations Endowment	17,429	16,499
Milgard Veterinary Endowment	694,114	657,067
William J. Gazecki Maintenance Endowment	2,104,937	1,992,588
Katie Madsen Endowment	143,370	
Total Endowment Funds	3,259,291	2,949,613
OTHER ASSETS		
Beneficial interest in perpetual trusts	8,856,775	7,918,986
Deposit on equipment	327,059	
Total Other Assets	9,183,834	7,918,986
TOTAL ASSETS	\$ <u>28,431,633</u>	\$ <u>25,890,967</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, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 269,997	\$ 110,552
Accrued expenses	371,224	445,579
Deposits	25,000	25,000
Current portion of long-term liabilities	8,963	12,686
Total Current Liabilities	675,184	593,817
LONG-TERM LIABILITIES, net		8,963
Total Liabilities	675,184	602,780
NET ASSETS		
Without donor restrictions	15,040,368	13,875,803
With donor restrictions	12,716,081	11,412,384
Total Net Assets	27,756,449	25,288,187
TOTAL LIABILITIES AND NET ASSETS	\$ 28,431,633	\$ 25,890,967

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, 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	10,273,710	1,303,697	11,577,407
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 ACTIVITIES (Continued)

Year Ended December 31, 2023 (Restated)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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	<u>2,098,129</u>	<u>(2,098,129)</u>	
Total Revenue and Support	9,289,943	847,766	10,137,709
FUNCTIONAL EXPENSES			
Program services	7,243,162		7,243,162
Supporting services			
Management and general	393,625		393,625
Development and fundraising	900,087		900,087
	<u>1,293,712</u>		<u>1,293,712</u>
Total Functional Expenses	<u>8,536,874</u>		<u>8,536,874</u>
CHANGE IN NET ASSETS	753,069	847,766	1,600,835
Net Assets at Beginning of Year, Restated	<u>13,122,734</u>	<u>10,564,618</u>	<u>23,687,352</u>
NET ASSETS AT END OF YEAR	<u>\$ 13,875,803</u>	<u>\$ 11,412,384</u>	<u>\$ 25,288,187</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, 2024

	Program Services			Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
	Sheltering and Adoptions Services	Medical Services	Community Awareness					
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 supplies	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					47	26,814	26,861	26,861
Education and training	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	<u>\$ 3,855,890</u>	<u>\$ 2,759,712</u>	<u>\$ 984,217</u>	<u>\$ 7,599,819</u>	<u>\$ 655,344</u>	<u>\$ 853,982</u>	<u>\$ 1,509,326</u>	<u>\$ 9,109,145</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, 2023 (Restated)

	Program Services			Total Program Services	Management and General	Development and Fundraising	Total Supporting Services	Total Expenses
	Sheltering and Adoptions Services	Medical Services	Community Awareness					
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	730,009	446,132	106,611	1,282,752	92,958	121,545	214,503	1,497,255
Total Employment Expenses	2,636,542	1,637,104	433,970	4,707,616	318,217	613,259	931,476	5,639,092
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	90,969	22,617	17,958	131,544	70	250	320	131,864
Taxes, licenses and fees	160,663	4,249	178	165,090		256	256	165,346
TOTAL OPERATING EXPENSES	\$ 3,682,757	\$ 2,772,981	\$ 787,424	\$ 7,243,162	\$ 393,625	\$ 900,087	\$ 1,293,712	\$ 8,536,874

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, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,468,262	\$ 1,600,835
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	236,877	240,800
Contributions restricted to endowment	(138,385)	
Loss on disposal of property and equipment		1,663
Gain on investments and endowments	(466,708)	(752,575)
Increase in value of trusts	(937,789)	(823,017)
Amortization of operating-right-of-use assets	12,686	19,186
Net change in operating assets and liabilities	<u>(122,584)</u>	<u>(21,329)</u>
Net Cash Provided by Operating Activities	1,052,359	265,563
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(77,505)	(164,769)
Deposit on equipment	(327,509)	
Purchase of investments	(19,697,120)	(13,638,252)
Proceeds from sale of investments	<u>19,137,388</u>	<u>13,529,698</u>
Net Cash Used by Investing Activities	(964,746)	(273,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions restricted to endowment	<u>138,385</u>	
NET CHANGE IN CASH AND CASH EQUIVALENTS	225,998	(7,760)
Cash and Cash Equivalents at Beginning of Year	<u>3,230,407</u>	<u>3,238,167</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 3,456,405</u>	<u>\$ 3,230,407</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, 2024 and 2023 (Restated)

	<u>2024</u>	<u>2023</u>
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable	\$ (2,582)	\$ (67,625)
Contributions receivable	(43,143)	56,123
Inventory	(11,000)	(10,203)
Prepaid expenses	(138,263)	2,006
Increase (decrease) in liabilities		
Accounts payable	159,445	27,248
Accrued expenses	(74,355)	61,828
Deferred compensation		(71,520)
Operating lease liabilities	<u>(12,686)</u>	<u>(19,186)</u>
Net Change in Operating Assets and Liabilities	\$ <u>(122,584)</u>	\$ <u>(21,329)</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, 2024 and 2023 (Restated)

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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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, 2024 and 2023 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, 2024 and 2023.

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.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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, 2024 and 2023 was \$236,877 and \$240,800, 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, 2024 and 2023, 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. 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 activity.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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 \$264,218 and \$216,619 during the years ended December 31, 2024 and 2023, 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 \$203,993 and \$252,135 for the years ended December 31, 2024 and 2023, 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.

Subsequent Events

Subsequent to year-end the Humane Society had a flood and are in the process of obtaining bids for the repairs. Estimated construction costs are \$400,000 - \$600,000. The Humane Society evaluated for subsequent events and transactions for potential recognition and disclosure through October 16, 2025, the date the financial statements were available to be issued.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 3,011,670	\$ 2,798,511
Investments, current portion	9,565,552	5,837,284
Accounts receivable	76,039	73,457
Endowment spending rate distributions and appropriations	<u>146,473</u>	<u>149,738</u>
Total Financial Assets Available	\$ <u>12,799,734</u>	\$ <u>8,858,990</u>

The endowment funds consist of donor-restricted endowments at December 31, 2024 and 2023. 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>2024</u>	<u>2023</u>
Investments	\$ 9,565,552	\$ 8,848,790
Magill Spay/Neuter Endowment	139,101	131,676
Bender Educational Endowment	8,032	7,604
Walker Cat Spay/Neuter Endowment	152,308	144,179
Neilsen Operations Endowment	17,429	16,499
Milgard Veterinary Endowment	694,114	657,067
William J. Gazecki Maintenance Endowment	2,104,937	1,992,588
Katie Madsen Endowment	<u>143,370</u>	<u> </u>
	\$ <u>12,824,843</u>	\$ <u>11,798,403</u>

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

NOTE 3 - INVESTMENTS (Continued)

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

	<u>2024</u>	<u>2023</u>
Interest and dividend income, net of expenses	\$ 313,905	\$ 178,305
Realized gain, net	70,034	489,975
Unrealized gain, net	<u>483,222</u>	<u>262,600</u>
	<u>\$ 867,161</u>	<u>\$ 930,880</u>

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis through application of applicable authoritative literature at December 31, 2024 and 2023, are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (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>	\$ _____

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

	<u>Fair Value</u>	<u>Fair Value Measurements</u>		
		<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
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	<u>9,351,853</u>	<u>9,351,853</u>		
Total Investments	11,798,403	11,798,403		
Beneficial interest in perpetual trusts	<u>7,918,986</u>		\$ <u>7,918,986</u>	
	\$ <u>19,717,389</u>	\$ <u>11,798,403</u>	\$ <u>7,918,986</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, 2024 and 2023, the Humane Society had deposits on hand with the Trust of \$104,245 and \$107,183, 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, 2024 and 2023.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

NOTE 6 - PROPERTY AND EQUIPMENT

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

	<u>2024</u>	<u>2023</u>
Building and improvements	\$ 4,302,056	\$ 4,285,957
Vehicles	66,869	66,869
Plant and office equipment	2,021,640	1,960,234
Operating right-of-use asset	40,009	40,009
Land	<u>164,322</u>	<u>164,322</u>
	6,594,896	6,517,391
Less accumulated depreciation and amortization	<u>4,186,968</u>	<u>3,937,405</u>
	\$ <u>2,407,928</u>	\$ <u>2,579,986</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, 2024 and 2023 (Restated)

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>2024</u>	<u>2023</u>
Operating lease costs	\$ 13,799	\$ 21,155
Variable lease costs	<u>13,745</u>	<u>2,766</u>
Total Lease Costs	\$ <u>27,544</u>	\$ <u>23,921</u>

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

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ <u>13,799</u>	\$ <u>21,155</u>

Accumulated amortization associated with right-of-use assets totaled \$31,046 and \$18,360 at December 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term		
Operating leases	.67 years	1.67 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, 2024:

2025	\$ 9,200
Less amounts representing interest	<u>(237)</u>
Present Value of Lease Liabilities	8,963
Less current portion of operating lease liability	<u>(8,963)</u>
Long-term Portion of Operating Lease Liability	\$ _____

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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>2024</u>	<u>2023</u>
Time restricted contributions receivable	\$ 155,283	\$ 112,140
Restricted for specific uses	444,733	431,645
Subject to endowment spending policy and appropriation	<u>876,376</u>	<u>704,783</u>
	<u>\$ 1,476,392</u>	<u>\$ 1,248,568</u>

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

	<u>2024</u>	<u>2023</u>
Endowment funds (see Note 9)	\$ 2,382,915	\$ 2,244,830
Lindberg Trust	220,153	211,620
Mattison Trust	958,215	900,304
Helen Mull Foundation Trust	<u>7,678,406</u>	<u>6,807,063</u>
	<u>11,239,689</u>	<u>10,163,817</u>
Total Net Assets with Donor Restrictions	<u>\$ 12,716,081</u>	<u>\$ 11,412,384</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, 2024 and 2023 (Restated)

NOTE 9 – ENDOWMENTS (Continued)

The following is a schedule of endowments at December 31:

	<u>With Donor Restrictions</u>		<u>Total</u>
	<u>For Time or Purpose</u>	<u>For Perpetual Duration</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>
<u>December 31, 2023</u>			
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	<u>476,313</u>	<u>1,516,275</u>	<u>1,992,588</u>
	<u>\$ 704,783</u>	<u>\$ 2,244,830</u>	<u>\$ 2,949,613</u>

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

NOTE 9 - ENDOWMENTS (Continued)

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

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.

Changes in endowment net assets for the year ended December 31, 2024 and 2023 are as follows:

	<u>With Donor Restrictions</u>		
	<u>For</u>	<u>For</u>	
	<u>Time or</u>	<u>Perpetual</u>	<u>Total</u>
	<u>Purpose</u>	<u>Duration</u>	
Endowment Net Assets at Beginning of Year 2024	\$ 704,783	\$ 2,244,830	\$ 2,949,613
Contributions	14,116	138,385	152,501
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>
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	<u>(155,851)</u>	<u> </u>	<u>(155,851)</u>
Endowment Net Assets at End of Year 2023	<u>\$ 704,783</u>	<u>\$ 2,244,830</u>	<u>\$ 2,949,613</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, 2024 and 2023, 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, 2024 and 2023 (Restated)

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 \$1,178,369 and \$1,111,924 at December 31, 2024 and 2023, 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 \$7,678,406 and \$6,807,062 as of December 31, 2024 and 2023, respectively.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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, 2024 and 2023, as the information is not available. The Humane Society has made all required payments during 2024 and 2023. 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, 2024 and 2023 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, 2024. 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, 2024 and 2023.

<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>2024</u>	<u>2023</u>		
Western Conference of Teamsters Pension Plan	91-6145047 001	Green	N/A	\$ 217,220	\$ 288,923	No	5/31/2027

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

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 \$117,637 and \$111,612 for the years ended December 31, 2024 and 2023, respectively.

NOTE 12 - CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Most hourly employees (representing approximately 85% 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, 2027. 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 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2024, the Humane Society discovered that previously issued financial statements incorrectly excluded the Humane Society's deposits on hand in the 501(c) Agencies Trust (the "Trust"). See further information on the nature of the Trust in Note 5. As a result of the correction of the error, as of January 1, 2023, the Organization increased net assets at beginning of year - without donor restrictions by \$107,183 for the cumulative effect of the correction.

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023 (Restated)

NOTE 14 - PRIOR PERIOD ADJUSTMENT (Continued)

The effect on Humane Society's previously issued 2023 financial statements is summarized as follows:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Financial Position</u>			
Prepaid expenses and other current assets	\$ 31,021	\$ 107,183	\$ 138,204
Net assets - without donor restrictions - undesignated	13,768,620	107,183	13,875,803
<u>Statement of Activities</u>			
Functional expenses			
Program services	7,250,653	(7,491)	7,243,162
Supporting services			
Management and general	394,678	(1,053)	393,625
Development and fundraising	900,900	(813)	900,087
Change in net assets	1,591,478	9,357	1,600,835
Net assets at beginning of year - without donor restrictions	13,024,908	97,826	13,122,734
Net assets at end of year - without donor restrictions	13,768,620	107,183	13,875,803
<u>Statement of Functional Expenses</u>			
Payroll taxes and benefits	1,506,612	(9,357)	1,497,255
<u>Statement of Cash Flows</u>			
Cash flows from operating activities			
Change in net assets	1,591,478	9,357	1,600,835
Net change in operating assets and liabilities	(11,972)	(9,357)	(21,329)
Components of net change in operating assets and liabilities			
Prepaid expenses	11,363	(9,357)	2,006

NOTE 15 - 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.