HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

Audited Financial Statements

December 31, 2022 and 2021

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Independent Auditor's Report

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

Report on the Financial Statements

Opinion

We have audited the accompanying 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, 2022 and 2021, 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, 2022 and 2021, 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").

Change in Accounting Principle

As discussed in Note 6 to the financial statements, the Humane Society has adopted the provisions of Financial Accounting Standards Board Accounting Standards Codification Topic 842, *Leases*, as of January 1, 2022, using the modified retrospective approach with an adjustment at the beginning of the adoption period. Our opinion is not modified with respect to this matter.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("U.S. GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Society for Tacoma and Pierce County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP; this includes 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with U.S. GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Johnson, Stone & Pagano, P.S.

JOHNSON, STONE & PAGANO, P.S.

June 27, 2023

AUDITED FINANCIAL STATEMENTS

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FINANCIAL POSITION

December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,238,167	$ 2,108,269
Investments	8,192,225	8,999,252
Accounts receivable	5,832	6,444
Contributions receivable	168,263	181,981
Inventory	29,181	64,256
Prepaid expenses	42,384	31,261
Total Current Assets	11,676,052	11,391,463
PROPERTY AND EQUIPMENT, net	2,676,866	2,670,127
ENDOWMENT FUNDS		
Magill Spay/Neuter Endowment	122,544	155,158
Bender Educational Endowment	7,076	8,960
Walker Cat Spay/Neuter Endowment	134,180	169,890
Nielsen Operations Endowment	15,355	19,441
Milgard Veterinary Endowment	611,497	774,242
William J. Gazecki Maintenance Endowment	1,854,397	2,347,929
Total Endowment Funds	2,745,049	3,475,620
OTHER ASSETS		
Beneficial interest in perpetual trusts	7,095,969	9,412,199
Total Other Assets	7,095,969	9,412,199
TOTAL ASSETS	$ 24,193,936	$ 26,949,409

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, 2022 and 2021

	2022	2021
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 83,304	$ 97,665
Accrued expenses	383,751	282,960
Deposits	25,000	
Current portion of long-term liabilities	35,187	16,000
Total Current Liabilities	527,242	396,625
LONG-TERM LIABILITIES, net of current portion	77,168	57,765
Total Liabilities	604,410	454,390
NET ASSETS		
Without donor restrictions	13,024,908	13,069,878
With donor restrictions	10,564,618	13,425,141
Total Net Assets	23,589,526	26,495,019
TOTAL LIABILITIES AND NET ASSETS	$ 24,193,936	$ 26,949,409

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, 2022

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

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF ACTIVITIES (Continued)

Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions and other	$ 3,600,477	$ 537,323	$ 4,137,800
Service fees	1,799,008		1,799,008
Adoption fees	680,731		680,731
Drop off fees	145,447		145,447
Sales of pet supplies	101,485		101,485
Net investment return	876,340	452,028	1,328,368
Change in value of trusts		792,753	792,753
Other income	28,939		28,939
Net assets released from restrictions	870,424	(870,424)	
Total Revenue and Support	8,102,851	911,680	9,014,531
FUNCTIONAL EXPENSES			
Program services	5,250,059		5,250,059
Supporting services			
Management and general	384,060		384,060
Development and fundraising	751,191		751,191
	1,135,251		1,135,251
Total Functional Expenses	6,385,310		6,385,310
CHANGE IN NET ASSETS	1,717,541	911,680	2,629,221
Net Assets at Beginning of Year	11,352,337	12,513,461	23,865,798
NET ASSETS AT END OF YEAR	$ 13,069,878	$ 13,425,141	$ 26,495,019

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, 2022

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

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

HUMANE SOCIETY FOR TACOMA AND PIERCE COUNTY

STATEMENTS OF FUNCTIONAL EXPENSES (Continued)

Year Ended December 31, 2021

	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	$ 1,462,628	$ 970,023	$ 213,265	$ 2,645,916	$ 305,325	$ 343,995	$ 649,320	$ 3,295,236
Payroll taxes and benefits	588,477	371,349	79,615	1,039,441	43,159	100,632	143,791	1,183,232
Total Employment Expenses	2,051,105	1,341,372	292,880	3,685,357	348,484	444,627	793,111	4,478,468
Depreciation	127,940	54,278	19,385	201,603				201,603
Medical supplies		339,172	83,051	422,223				422,223
Uniform expense	4,066	3,552	2	7,620				7,620
Advertising and promotion	256			256		235,998	235,998	236,254
Community veterinary services	1,500	41,457	5,252	48,209				48,209
Utilities	63,759	27,050	9,661	100,470				100,470
Printing	55		20	75		25,321	25,321	25,396
Professional fees	4,243	1,588	567	6,398	20,934	567	21,501	27,899
Computer maintenance and repair	27,296	10,856	3,877	42,029	2,428	20,469	22,897	64,926
Office supplies	6,944	2,430	1,349	10,723	679	1,116	1,795	12,518
Postage	423	98	64	585	841	10,922	11,763	12,348
Insurance	25,729	10,915	3,898	40,542				40,542
Food and provisions	157,527	23,027	57,226	237,780				237,780
Special event						4,615	4,615	4,615
Education and training	12,930	5,386	1,905	20,221	196		196	20,417
Meetings	215	90	33	338	52	33	85	423
Household and institutional	59,511	11,020		70,531				70,531
Telephone	11,228	4,566	1,631	17,425	2,609	1,630	4,239	21,664
Deceased animal disposal	65,723			65,723				65,723
Repair and maintenance	21,679	9,650	1,650	32,979	624		624	33,603
Membership dues		5,131	108	5,239	1,137	1,970	3,107	8,346
Equipment lease	5,546	8,881	840	15,267	1,344	840	2,184	17,451
Building, property and parking	19,522	8,282	2,958	30,762	4,732	2,958	7,690	38,452
Vehicles	2,236		245	2,481		107	107	2,588
Safety	1,819	1,257	246	3,322		18	18	3,340
Pet store supplies	49,595			49,595				49,595
Taxes, licenses and fees	84,402	35,298	12,606	132,306				132,306
TOTAL OPERATING EXPENSES	$ 2,805,249	$ 1,945,356	$ 499,454	$ 5,250,059	$ 384,060	$ 751,191	$ 1,135,251	$ 6,385,310

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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,905,493)	$ 2,629,221
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	211,044	201,603
(Gain) loss on investments and endowments	2,097,880	(1,171,604)
(Increase) decrease in value of trusts	2,316,230	(792,753)
Amortization of operating-right-of-use assets	13,886	
Donated securities		(6,132)
Net change in operating assets and liabilities	149,581	(187,879)
Net Cash Provided by Operating Activities	1,883,128	672,456
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(176,948)	(91,190)
Purchase of investments	(2,380,598)	(1,353,704)
Proceeds from sale of investments	1,820,316	1,198,245
Net Cash Provided (Used) by Investing Activities	(737,230)	(246,649)
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred compensation payments	(16,000)	(16,000)
Net Cash Used by Financing Activities	(16,000)	(16,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,129,898	409,807
Cash and Cash Equivalents at Beginning of Year	2,108,269	1,698,462
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,238,167	$ 2,108,269

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, 2022 and 2021

	2022	2021
COMPONENTS OF NET CHANGE IN OPERATING ASSETS AND LIABILITIES		
(Increase) decrease in assets		
Accounts receivable	$ 612	$ 11,151
Contributions receivable	13,718	(131,417)
Inventory	35,075	12,172
Prepaid expenses	(11,123)	(3,436)
Increase (decrease) in liabilities		
Accounts payable	(14,361)	(26,319)
Accrued expenses	100,791	(51,627)
Deferred compensation	13,755	11,597
Deposits	25,000	(10,000)
Operating lease liability	(13,886)	
Net Change in Operating Assets and Liabilities	$ 149,581	$ (187,879)

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

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

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

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

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

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

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

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

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

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

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

Accounts Receivable
Accounts receivable primarily represent contracts with individual municipalities. Management has evaluated the accounts and believes they are all collectible; therefore, no allowance for uncollectible accounts has been provided.

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.

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

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

Depreciation expense for the years ended December 31, 2022 and 2021 was $211,044 and $201,603, respectively.

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

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, 2022 and 2021, 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.

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 $102,422 and $63,779 during the years ended December 31, 2022 and 2021, 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 $238,569 and $236,254 for the years ended December 31, 2022 and 2021, respectively.

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

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

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

Adoption of Accounting Standards Codification Topic 842
Effective January 1, 2022, the Humane Society adopted the new lease accounting guidance in Accounting Standards Update No. 2016-02, *Leases* (Topic 842). The Humane Society elected to apply the guidance as of January 1, 2022, the beginning of the adoption period. The comparative financial information and disclosures presented are in accordance with the legacy standard, Accounting Standards Codification ("ASC 840"). The standard requires the recognition of right-of-use assets and lease liabilities for lease contracts with terms greater than 12 months. Operating lease costs are recognized in the statement activities as a single lease cost and finance lease costs are recognized in two components, interest expense and amortization expense; the Humane Society exclusively has operating leases. The Humane Society has elected the practical expedients permitted in ASC Topic 842. Accordingly, the Humane Society accounted for its existing leases as either a finance or operating lease under the new guidance, without reassessing (a) whether the contract contains a lease under ASC Topic 842, (b) whether classification of the operating lease would be different in accordance with ASC Topic 842, and (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in ASC Topic 842 at lease commencement.

As a result of the adoption of the new lease accounting guidance, the Humane Society recognized on January 1, 2022, the beginning of the adoption period, an operating lease liability of $54,721 and corresponding operating right-of-use asset of $54,721. The adoption of the new standard did not materially impact the Humane Society's statements of activities cash flows. See Note 6 for further disclosure of the Humane Society 's lease contracts.

Subsequent Events
The Humane Society evaluated for subsequent events and transactions for potential recognition and disclosure through June 27, 2023, the date the financial statements were available to be issued.

NOTE 2 - LIQUIDITY AND AVAILABILITY

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

	2022	2021
Cash and cash equivalents	$ 2,682,831	$ 1,752,928
Investments	8,192,225	8,999,252
Accounts receivable	5,832	6,444
Endowment spending rate distributions and appropriations	155,851	166,844
Total Financial Assets Available	$ 11,036,739	$ 10,925,468

The endowment funds consist of donor-restricted endowments at December 31, 2022 and 2021. The endowment funds are subject to an annual spending rate of up to 5% as described in Note 8. Income from donor-restricted endowments is for specific purposes. Donor-restricted endowment funds are not available for general expenditure.

NOTE 3 - INVESTMENTS

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

	2022	2021
Investments	$ 8,192,225	$ 8,999,252
Magill Spay/Neuter Endowment	122,544	155,158
Bender Educational Endowment	7,076	8,960
Walker Cat Spay/Neuter Endowment	134,180	169,890
Neilsen Operations Endowment	15,355	19,441
Milgard Veterinary Endowment	611,497	774,242
William J. Gazecki Maintenance Endowment	1,854,397	2,347,929
	$ 10,937,274	$ 12,474,872

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

	2022	2021
Interest and dividend income, net of expenses	$ 189,508	$ 156,764
Net realized and unrealized gain (loss), net	(2,097,880)	1,171,604
	$ (1,908,372)	$ 1,328,368

NOTE 4 - FAIR VALUE MEASUREMENTS

Fair values of investments measured on a recurring basis through application of applicable authoritative literature at December 31, 2022 and 2021, are as follows:

		Fair Value Measurements	
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fair Value Measurements at December 31, 2022			
Money market	$ 664,900	$ 664,900	
Equities	1,612,690	1,612,690	
Mutual funds	4,954,874	4,954,874	
Bond funds	3,704,810	3,704,810	
Total Investments	10,937,274	10,937,274	
Beneficial interest in perpetual trusts	7,095,969		$ 7,095,969
	$ 18,033,243	$ 10,937,274	$ 7,095,969
Fair Value Measurements at December 31, 2021			
Money market	$ 585,542	$ 585,542	
Equities	2,183,814	2,183,814	
Mutual funds	5,943,495	5,943,495	
Bond funds	3,762,021	3,762,021	
Total Investments	12,474,872	12,474,872	
Beneficial interest in perpetual trusts	9,412,199		$ 9,412,199
	$ 21,887,071	$ 12,474,872	$ 9,412,199

NOTE 5 - PROPERTY AND EQUIPMENT

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

	2022	2021
Building and improvements	$ 4,277,761	$ 4,253,972
Vehicles	94,584	94,584
Plant and office equipment	2,104,207	1,951,049
Operating right-of-use asset	54,721	
Land	164,322	164,322
	6,695,595	6,463,927
Less accumulated depreciation and amortization	4,018,729	3,793,800
	$ 2,676,866	$ 2,670,127

NOTE 6 - LEASES

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

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

Total lease costs for the year ended December 31, 2022 were as follows and are included in equipment lease in the accompanying statements of functional expense:

Operating lease costs	$ 15,406
Variable lease costs	9,582
Total lease costs	24,988

Total operating lease expense under noncancelable leases was $7,356 for the year December 31, 2021.

NOTE 6 - LEASES (Continued)

The following summarizes the supplemental cash flow information for the year ended December 31, 2022:

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

Accumulated amortization associated with right-of-use assets totaled $13,885 at December 31, 2022.

The following summarizes the weighted-average remaining lease term and weight-average discount rate:

Weighted-average remaining lease term	
Operating leases	2.37 years
Weighted-average discount rate	
Operating leases	7.0%

The future minimum lease payments under noncancelable operating and finance leases with terms greater than one year are listed below as of December 31, 2022:

2023	$ 21,155
2024	13,799
2025	9,200
Total Lease Payments	44,154
Less amounts representing interest	(3,319)
Present Value of Lease Liabilities	40,835
Less current portion of operating lease liability	(19,187)
Long-term Portion of Operating Lease Liability	$ 21,648

NOTE 6 - LEASES (Continued)

The following disclosures are in accordance with FASB ASC 840 for December 31, 2021:

Operating leases expense totaled $7,356 for the year ended December 31, 2021. Minimum future rental payments associated with this noncancelable operating lease are as follows:

For the year ending December 31, 2022	$ 7,356
2023	7,356
Total Future Minimum Lease Payments	$ 14,712

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

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

	2022	2021
Time restricted contributions receivable	$ 168,263	$ 181,981
Restricted for specific uses	555,336	355,341
Subject to endowment spending policy and appropriation	500,219	1,230,790
	$ 1,223,818	$ 1,768,112

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

	2022	2021
Endowment funds (see Note 8)	$ 2,244,830	$ 2,244,830
Lindberg Trust	198,615	255,272
Mattison Trust	810,542	1,049,653
Helen Mull Foundation Trust	6,086,813	8,107,274
	9,340,800	11,657,029
Total Net Assets with Donor Restrictions	$ 10,564,618	$ 13,425,141

NOTE 8 - ENDOWMENTS

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

The following is a schedule of endowments at December 31:

	With Donor Restrictions		
	For Time or Purpose	For Perpetual Duration	Total
December 31, 2022			
Magill Spay/Neuter Endowment	$ 22,344	$ 100,200	$ 122,544
Bender Educational Endowment	990	6,086	7,076
Walker Cat Spay/Neuter Endowment	24,466	109,714	134,180
Neilsen Operations Endowment	2,800	12,555	15,355
Milgard Veterinary Endowment	111,497	500,000	611,497
William J. Gazecki Maintenance Endowment	338,122	1,516,275	1,854,397
	$ 500,219	$ 2,244,830	$ 2,745,049
December 31, 2021			
Magill Spay/Neuter Endowment	$ 54,958	$ 100,200	$ 155,158
Bender Educational Endowment	2,874	6,086	8,960
Walker Cat Spay/Neuter Endowment	60,176	109,714	169,890
Neilsen Operations Endowment	6,886	12,555	19,441
Milgard Veterinary Endowment	274,242	500,000	774,242
William J. Gazecki Maintenance Endowment	831,654	1,516,275	2,347,929
	$ 1,230,790	$ 2,244,830	$ 3,475,620

NOTE 8 - ENDOWMENTS (Continued)

Interpretation of Relevant Law Applicable to Donor Restricted Funds
Donor-restricted funds are classified as net assets with donor restrictions and are subject to the Washington State Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The Board of Directors has interpreted the UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Humane Society classifies as net assets of perpetual duration (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund that is not classified as net assets of perpetual duration would be considered restricted for time or purpose until those amounts are appropriated for expenditure by the Humane Society in a manner consistent with the standard of prudence prescribed by UPMIFA.

Changes in endowment net assets for the year ended December 31, 2022 and 2021 are as follows:

	Without Donor Restrictions Board-Designated	With Donor Restrictions For Time or Purpose	With Donor Restrictions For Perpetual Duration	Total
Endowment Net Assets at Beginning of Year 2022		$ 1,230,790	$ 2,244,830	$ 3,475,620
Net investment loss		(563,727)		(563,727)
Appropriation of endowment distribution		(166,844)		(166,844)
Endowment Net Assets at End of Year 2022	$	$ 500,219	$ 2,244,830	$ 2,745,049
Endowment Net Assets at Beginning of Year 2021		$ 945,644	$ 2,244,830	$ 3,190,474
Net investment return		452,028		452,028
Appropriation of endowment distribution		(166,882)		(166,882)
Endowment Net Assets at End of Year 2021	$	$ 1,230,790	$ 2,244,830	$ 3,475,620

NOTE 8 - ENDOWMENTS (Continued)

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, 2022 and 2021, there were no endowment funds whose fair value was below the original corpus provided by the donor.

Spending Policy
The Humane Society has adopted a spending policy by which, at the discretion of the Board of Directors, the Board of Directors may annually distribute from the Endowment Fund up to 5% of the endowment fund's total market value at the end of the previous fiscal year, subject to 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 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS

The Humane Society is the beneficiary of two perpetual trusts, with beneficial interests totaling $1,009,157 and $1,304,925 at December 31, 2022 and 2021, 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.

NOTE 9 - BENEFICIAL INTEREST IN PERPETUAL TRUSTS (Continued)

The Humane Society was the beneficiary of a perpetual trust from the Helen Mull Foundation. Previously, the Humane Society was informed that the foundation beneficiaries are now fixed for a 150-year term, therefore, the Humane Society recognized a perpetual interest in the foundation in the amount of $6,086,812 and $8,107,274 as of December 31, 2022 and 2021, respectively.

NOTE 10 - LONG-TERM LIABILITIES

Deferred Compensation Agreement
The Humane Society has a deferred compensation agreement with a former employee to provide retirement benefits in the amount of $16,000 per year for her lifetime. The estimated net present value of the remaining balance totaling $71,520 and $73,765 at December 31, 2022 and 2021, respectively, has been recorded using a discount rate of 6.53%.

Lease Liability
Long-term liabilities include an operating lease liability totaling $40,835, including a current portion of $19,187 at December 31, 2022. There was no operating lease liability at December 31, 2021 (see Note 6).

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, 2022 and 2021, as the information is not available. The Humane Society has made all required payments during 2022 and 2021. 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 Company chooses to stop participating in its multi-employer plan, the Company may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

NOTE 11 - PENSION PLANS (Continued)

Multi-employer Pension Plan *(Continued)*
The Humane Society's participation in this plan for the year ended December 31, 2022 and 2021 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, 2022. 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, 2022 and 2021.

Pension Fund	EIN/ Pension Plan Number	Pension Protection Act Zone Status 2022	FIP/RP Status/ Implemented	Contributions 2022	Contributions 2021	Surcharge Imposed	Expiration Date of Collective Bargaining Agreement
Western Conference of Teamsters Pension Plan	91-6145047 001	Green	N/A	$ 232,656	$ 214,361	No	5/31/2024

SEP Plan
Employees who have reached their second employment anniversary and worked more than 300 service hours in a calendar year, and who are not covered under a collective bargaining agreement, are eligible to participate in a simplified employee pension plan that was adopted in 1996. Contributions to this plan were $148,848 and $126,266 for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 - CONCENTRATION OF SOURCE OF SUPPLY OF LABOR

Most hourly employees (representing approximately 84% of the Humane Society's employees) are covered under a labor agreement. In 2020, the Humane Society renegotiated the contract with the union, which is effective to December 31, 2023. The Humane Society's other employees are not represented by a union.

NOTE 13 - FUNCTIONALIZED EXPENSES

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