

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.**

FINANCIAL STATEMENTS

**Year Ended December 31, 2023
With Summarized Information for December 31, 2022**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Humane Fort Wayne, Inc.
and HFW Real Estate Holdings, Inc.
Fort Wayne, Indiana

Opinion

We have audited the accompanying consolidated financial statements of Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc. (nonprofit organizations), which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc. as of December 31, 2023, and the changes in their net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humane Fort Wayne, Inc., and HFW Real Estate Holdings, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc.'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 Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc.'s ability to continue as a going concern for a reasonable period of time.


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

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2023 consolidating schedules of financial position and activities are presented for the purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Humane Fort Wayne, Inc.'s 2022 financial statements, which was not consolidated and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 21, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Fort Wayne, Indiana

July 18, 2024

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

December 31, 2023

With Summarized Information for December 31, 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,282,017	\$ 1,561,584
Interest receivable	855	855
Accounts receivable	9,128	17,560
Contributions receivable - net	1,654,559	1,386,734
Investments	1,459,721	1,359,581
Certificate of deposit	-	18,688
Inventory	79,731	82,063
Prepaid expenses and other assets	19,635	14,137
Operating lease right-of-use asset	36,068	58,888
Cash - restricted for long-term purposes	6,629,057	117,709
Certificate of deposit - designated for long-term purposes	315,063	1,013,187
Certificate of deposit - restricted for long-term purposes	-	2,403,614
HFW Investment Fund, LLC receivable	7,921,700	-
Property and equipment - net	<u>6,914,512</u>	<u>1,495,378</u>
Total Assets	<u>\$ 26,322,046</u>	<u>\$ 9,529,978</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 542,412	\$ 148,058
Accrued expenses	135,350	78,713
Operating lease liabilities	36,068	58,888
Notes payable - net	<u>14,382,402</u>	<u>-</u>
Total Liabilities	15,096,232	285,659
Net Assets:		
Without donor restrictions	4,419,937	4,579,400
With donor restrictions	<u>6,805,877</u>	<u>4,664,919</u>
Total Net Assets	<u>11,225,814</u>	<u>9,244,319</u>
Total Liabilities and Net Assets	<u>\$ 26,322,046</u>	<u>\$ 9,529,978</u>

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

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES**

Year Ended December 31, 2023

With Summarized Information for the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
CHANGE IN NET ASSETS				
Support, Revenue and Gains:				
Contributions, bequests, and grants	\$ 1,110,918	\$ 2,328,661	\$ 3,439,579	\$ 2,757,099
Government grants	20,000	-	20,000	-
Contributed nonfinancial assets	118,930	-	118,930	78,431
Special events:				
Revenue	38,738	-	38,738	62,434
Less direct benefit to donors	(43,936)	-	(43,936)	(53,671)
Clinic revenue	1,891,172	-	1,891,172	1,621,950
Adoption fees	188,195	-	188,195	151,880
Product sales - net of cost of goods sold of \$42,273 for 2023 and \$12,479 for 2022	(1,001)	-	(1,001)	19,968
Miscellaneous income	26,727	-	26,727	17,701
Interest and investment income - net	133,499	-	133,499	23,802
Realized and unrealized gain on investments	148,025	-	148,025	-
Net Assets Released From Restrictions	187,703	(187,703)	-	-
Total Support, Revenue and Gains	3,818,970	2,140,958	5,959,928	4,679,594
Expenses and Losses:				
Program	3,190,437	-	3,190,437	2,813,046
Management and general	440,211	-	440,211	481,870
Fundraising	347,785	-	347,785	358,747
Realized and unrealized loss on investments	-	-	-	263,513
Total Expenses and Losses	3,978,433	-	3,978,433	3,917,176
CHANGE IN NET ASSETS	(159,463)	2,140,958	1,981,495	762,418
NET ASSETS - beginning of year	4,579,400	4,664,919	9,244,319	8,481,901
NET ASSETS - end of year	\$ 4,419,937	\$ 6,805,877	\$ 11,225,814	\$ 9,244,319

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

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

Year Ended December 31, 2023

With Summarized Information for the Year Ended December 31, 2022

	Program	Management and General	Fundraising	2023 Total	2022 Total
Salaries	\$ 1,601,578	\$ 299,936	\$ 152,845	\$ 2,054,359	\$ 1,885,010
Employee benefits	133,985	25,092	12,787	171,864	138,114
Payroll taxes	128,179	24,005	12,232	164,416	148,428
Total Salaries and Related Expenses	1,863,742	349,033	177,864	2,390,639	2,171,552
Veterinarian and clinic expense	677,197	-	-	677,197	616,826
Animal food, supplies and permits	271,003	-	-	271,003	153,752
Occupancy	160,385	13,389	13,390	187,164	167,594
Office expense	96,658	18,102	13,519	128,279	108,206
Postage and printing	-	-	82,133	82,133	69,736
Professional fees	27,635	39,844	2,637	70,116	183,542
Advertising	-	-	32,499	32,499	28,223
Insurance	22,607	5,132	2,155	29,893	51,531
Supplies and promotion	-	-	19,051	19,051	20,861
Other expenses	9,453	6,756	-	16,210	9,414
Transportation	14,121	-	-	14,121	16,347
Licenses and permits	-	3,418	-	3,418	1,242
Total Expenses Before Depreciation	3,142,801	435,674	343,248	3,921,723	3,598,826
Depreciation	47,636	4,537	4,537	56,710	54,837
Statement of Activities Functional Expenses	3,190,437	440,211	347,785	3,978,433	3,653,663
Expenses netted with support and revenue:					
Direct benefit to donors	-	-	43,936	43,936	53,671
Cost of goods sold	42,273	-	-	42,273	12,479
Total Functional Expenses	\$ 3,232,710	\$ 440,211	\$ 391,721	\$ 4,064,642	\$ 3,719,813

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

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS**

Year Ended December 31, 2023

With Summarized Information for the Year Ended December 31, 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,981,495	\$ 762,418
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	56,710	54,837
Realized and unrealized (gain) loss on investments	(148,025)	263,513
Contributions restricted for long-term purposes	(1,918,581)	(1,340,148)
Change in present value discount	17,082	60,178
Bad debt write-offs	3,023	6,005
Interest expense added to note payable	3,343	-
Reinvested investment income	(27,443)	(14,697)
Reinvested interest from certificates of deposit	(33,958)	(8,368)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and interest receivable	8,432	(1,372)
Contributions receivable	(90,125)	(84,443)
Inventory	2,332	(6,167)
Prepaid and other assets	(5,498)	4,910
Increase (decrease) in:		
Accounts payable	(110,242)	93,601
Accrued expenses	56,637	(18,229)
	(204,818)	(227,962)
Cash Flows From Operating Activities		
	(204,818)	(227,962)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	(336,716)	(297,723)
Purchase of investments	412,044	223,888
Redemption of certificates of deposit	3,154,384	2,538,078
Purchase of certificates of deposit	-	(3,427,121)
Funds issued to HFW Investment Fund, LLC	(7,921,700)	-
Purchase of property and equipment	(4,971,248)	(146,093)
	(9,663,236)	(1,108,971)
Cash Flows From Investing Activities		
	(9,663,236)	(1,108,971)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	14,861,967	-
Notes payable closing costs	(482,908)	-
Collections of contributions restricted for long-term purposes	1,720,776	1,128,576
	16,099,835	1,128,576
Cash Flows From Financing Activities		
	16,099,835	1,128,576
INCREASE (DECREASE) IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS		
	6,231,781	(208,357)
CASH, RESTRICTED CASH AND CASH EQUIVALENTS - beginning of year		
	1,679,293	1,887,650
CASH, RESTRICTED CASH AND CASH EQUIVALENTS - end of year		
	\$ 7,911,074	\$ 1,679,293

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

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2023 and 2022**

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Humane Fort Wayne, Inc. (Organization) is an Indiana not-for-profit corporation which was formed to provide adoption and pet retention programs, spay/neuter and wellness services, community outreach and education. The Organization works to prevent the incidence of euthanasia and to promote the happiness, safety, and well-being of pets and the people who love them. The Organization receives its funding primarily from donations from the public, grants, and income from services provided at their low cost spay/neuter clinic.

HFW Real Estate Holdings, Inc. (Corporation) is an Indiana not-for-profit organization that holds the title to and will rent the new building to the Organization to conduct its future operations. HFW Real Estate Holdings, Inc. participates in a Qualified Low-Income Community Investment (QLICI), which is associated with the New Markets Tax Credit (NMTC) program that includes nonprofit organizations as possible recipients of allocations and cash proceeds from qualified equity investments.

Consolidation

HFW Real Estate Holdings, Inc., a nonprofit organization, was created in 2023 for the benefit of Humane Fort Wayne, Inc. Humane Fort Wayne, Inc. is the only corporate member and elects a majority of the Corporation's board of directors. The consolidated financial statements include the accounts of the Organization and the Corporation and will be collectively referred to as the "Organizations." All significant balances and transactions between funds within the Organization and Corporation have been eliminated in these financial statements.

Taxes

Humane Fort Wayne, Inc. and HFW Real Estate Holdings, Inc. are exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a) of the Internal Revenue Code.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Recent Accounting Guidance

During 2023, the Organizations adopted ASU 2016-13, *Financial Instruments – Credit Losses* (Topic 326). The ASU and its related amendments replace the previous expected credit loss methodology with a new incurred loss methodology. The new standard applies to financial instruments including, but not limited to, trade receivables. Under the new standard, organizations must consider historical information, current conditions and a reasonable forecast period when estimating credit loss. The adoption of the standard had no material impact on the Organizations financial statements.

During 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842), as required by accounting principles generally accepted in the United States of America (U.S. GAAP). This ASU will require organizations that lease assets to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by the leases. The Organization adopted this standard on January 1, 2022, and elected not to restate comparative periods in the period of adoption. The cumulative effect of initially applying the new standard had no impact to the statement of financial position.

The Organization elected the package of practical expedients and to not separate lease and non-lease components for all leases. The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on a straight-line basis.

Also, during 2022 the Organization adopted Accounting Standards update (ASU) 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* as required by U.S. GAAP. This ASU changes requirements on how contributed nonfinancial assets are reported on the financial statement. There was no effect on net assets in connection with the implementation of ASU 2020-07.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organizations consider all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Certificates of Deposit

Certificates of deposit are stated at cost and consist of two eighteen month certificates maturing in June 2024 and December 2024.

Contributions Receivable

The Organizations recognize contributions and pledges as support in the year the pledge is made and provides for an allowance for uncollectible pledge receivables equal to the estimated collection losses that will be incurred in the collection of all pledges. The estimated losses are based on a review of the status of the existing receivables.

Accounts Receivable

Receivables for exchange transactions are based on the amounts billed to customers. Past due receivables are determined based on contractual terms. Based on management's assessment of historical collection experience and existing economic conditions, it has concluded that credit losses on balances outstanding at December 31, 2023, will be immaterial.

Allowance for Doubtful Accounts

Prior to 2023, the Organizations provided an allowance for doubtful accounts which was based upon a review of outstanding receivables, historical collection experience, and existing economic conditions. Accounts receivable were written off against the allowance when they were deemed to be uncollectible. Management determined there was no allowance deemed necessary as of December 31, 2022.

Inventory

Inventory includes clinic supplies and items for resale and is carried at the lower of cost or market. Cost is determined by the first-in first-out method.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. These investments are initially recorded at cost if they were purchased or at their reasonable value on the date of the gift if they were received as a donation. Thereafter, investments are reported at their fair values in the statement of financial position, and unrealized gains and losses are reported in the statement of activities.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Property and Equipment

Property and equipment is stated at cost or, if donated, at fair value on the date of the donation.

The Organizations follow the policy of providing depreciation on the straight-line method for financial reporting purposes over the estimated useful lives of the related assets.

Property and equipment with an item cost or donated value of \$2,500 or more and a useful life of one year or more are capitalized.

Leases

The Organizations determine if an arrangement is a lease at the inception of the contract. The right-of-use assets represent the Organizations' right to use the underlying assets for the lease term and the lease liabilities represent the Organizations' obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease term includes any option to extend the lease when it is reasonably certain that the Organizations will exercise that option. Absent an implicit rate, the Organizations will use a risk-free rate in determining the present value of lease payments. Lease expense for payments on these leases is recognized on a straight-line basis over the terms of the leases and reflected in the consolidated statement of functional expenses in occupancy expense.

Net Assets

Net assets without donor restrictions are available for use at the discretion of the Organizations' management and the board of directors. From time to time the board designates a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organizations report gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Contributed Nonfinancial Assets

Contributed property and equipment is recorded at fair value at the date of the donation.

Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

The Organizations receive significant amounts of donated services from volunteers and donated animal supplies from individuals and businesses. No amounts have been reflected for these donated services or for donated animal supplies, except animal supplies retained and used by the Organizations for the care of animals, in the financial statements because they do not meet the requirements for financial recognition under FASB ASC 958-605. The Organizations do record and track the estimated value of donated animal supplies received and distributed to those in need which amounted to \$375,143 in 2023 and \$281,648 in 2022.

Revenue and Revenue Recognition

The Organizations recognize contributions, bequests, and grants as support when cash, other assets or an unconditional promise is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been met. Government grants are considered a contribution and recorded as support. Contributed nonfinancial assets are recorded at fair value on the date of donation.

Adoption fees are recognized at the time of the adoption.

Clinic revenue from product sales, spay/neuter surgeries, and wellness services are recognized at the point of purchase for product sales, or at the time services are provided for spay/neuter surgeries and wellness services. Any amounts for payments received in advance for services are included in deferred revenue until services are provided.

Special event revenue is recognized at an amount equal to the cost of the direct benefit provided to the donor and is recognized at a point in time, the date of the event. Any payment from the donor above the value of the direct benefit received is recorded as a contribution.

Miscellaneous income is recognized as revenue when received.

Functional Allocation of Expenses

The costs of providing the Organizations' programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. The consolidated statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

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. Salaries and related expenses, office expense, worker's compensation insurance, and professional services for information technology are allocated based on estimates of time and effort. Occupancy, depreciation, and property insurance are allocated based on square footage.

Advertising

Advertising costs are charged to operations when incurred.

Financial Statement Presentation

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through July 18, 2024, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 are as follows:

	2023	2022
Promises to give receivable	\$ 1,756,659	\$ 1,471,752
Less unamortized present value discount (2.09% - 7.16%)	<u>(102,100)</u>	<u>(85,018)</u>
Net promises to give receivable	<u>\$ 1,654,559</u>	<u>\$ 1,386,734</u>
Amounts due in:		
Less than one year	\$ 535,635	\$ 569,690
One to five years	<u>1,221,024</u>	<u>902,062</u>
	<u>\$ 1,756,659</u>	<u>\$ 1,471,752</u>

3. HFW INVESTMENT FUND, LLC RECEIVABLE

The receivable from the HFW Investment Fund, LLC represents a \$7,921,700 leverage loan made by Humane Fort Wayne, Inc. to the qualified equity investment fund during 2023 as part of the New Markets Tax Credits financing transaction. See Note 8 for additional information.

4. INVESTMENTS

Investments as of December 31 are as follows:

	2023	2022
Mutual funds - equities	\$ 1,044,249	\$ 920,475
Mutual funds - fixed income	<u>377,870</u>	<u>370,670</u>
	1,422,119	1,291,145
Cash and cash equivalents	<u>37,602</u>	<u>68,436</u>
	<u>\$ 1,459,721</u>	<u>\$ 1,359,581</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2023	2022
Land	\$ 199,862	\$ 199,862
Building and improvements	892,944	892,944
Furniture and equipment	437,743	349,965
Vehicles	<u>60,047</u>	<u>60,047</u>
	1,590,596	1,502,818
Accumulated depreciation	<u>(726,356)</u>	<u>(669,646)</u>
	864,240	833,172
Construction in progress	<u>6,050,272</u>	<u>662,206</u>
	<u>\$ 6,914,512</u>	<u>\$ 1,495,378</u>

6. FAIR VALUE MEASUREMENT

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value.

Level inputs are defined as follows:

Level 1. Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2. Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets or quoted market prices for identical assets or liabilities in inactive markets.

Level 3. Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Investments. Value determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair value of assets and liabilities measured on a recurring basis at December 31 are as follows:

	2023	2022
	Level 1	Level 1
Investments:		
Equities:		
Mutual funds	\$ 758,973	\$ 687,454
Financials	89,936	76,362
International	195,340	156,659
Fixed income:		
Mutual funds	<u>377,870</u>	<u>370,670</u>
	<u>\$ 1,422,119</u>	<u>\$ 1,291,145</u>

7. LINE OF CREDIT

The Organization has a \$500,000 revolving line of credit with Lake City Bank to draw upon as needed, bearing interest at prime minus .25% (8.25% at December 31, 2023). The line of credit is secured by the Organization's investment accounts. No amount was outstanding as of December 31, 2023 and 2022.

8. NEW MARKETS TAX CREDITS

In May 2023, the Organization entered into a New Markets Tax Credit (NMTC) financing transaction to fund a portion of the cost of construction of their new facility in Fort Wayne, Indiana. The NMTC program was provided for in the Community Renewal Tax Relief Act of 2000 and is intended to induce capital investment in qualified low-income communities. The Act permits taxpayers to claim credits against their Federal income taxes for up to 39% of qualified investments in the equity of Community Development Entities (CDE). A CDE is a privately managed investment institution that is certified to make qualified low-income community investments (QLICI) loans. The NMTC structure includes the Organization (as the leverage lender) and the Corporation (as the borrower). The tax credit investor is PNC New Markets Investment Partners, LLC, an entity formed for the purposes of this transaction by PNC Bank, N.A.

In May 2023, PNC New Markets Investment Partners, LLC made a \$3,078,300 capital contribution to HFW Investment Fund, LLC, a qualified equity investment fund. At the same time, Humane Fort Wayne, Inc. (the leverage lender) made a \$7,921,700 leverage loan to the same investment fund. In turn HFW Investment Fund, LLC made a \$9,000,000 capital contribution to FWNMRF CDE XIV, LLC (Sub-CDE) and made a \$2,000,000 capital contribution to PNC CDE 160, LLC (Sub-CDE), both are recognized as a qualified community development entity, or Sub-CDEs in this structure. After deducting certain fees associated with the transaction, two QLICI loans were made to HFW Real Estate Holdings, Inc. for a combined total of \$10,820,000. In this structure, HFW Real Estate Holdings, Inc. is a qualified active low-income community benefit entity (QALICB). The QLICI loans bear interest at a rate of 1.00% and mature April 28, 2058. Interest-only payments due quarterly are made during the first seven years of the loans.

(continued)

8. NEW MARKETS TAX CREDITS (continued)

The NMTC is subject to 100% recapture for a period of seven years as provided in the Internal Revenue Code. The Organization is required to be in compliance with various regulations and contractual provisions that apply to the NMTC arrangement. Non-compliance with applicable requirements could result in projected tax benefits not being realized and, therefore, could require the Organization to indemnify the investors for any loss or recapture of NMTCs related to the financing until such time as the Organization's obligation to deliver tax benefits is relieved. The Organization does not anticipate any credit recaptures in connection with this arrangement. This transaction includes a put/call provision that becomes effective at the end of the seven-year compliance/recapture period. Under the put/call provision, the Organization is obligated or entitled to purchase the investor's interest in HFW Investment Fund, LLC. The Organization believes the investor will exercise the put option in April 2030 at the end of the compliance/recapture period. The value attributed to the put/call provision is de minimis.

9. NOTES PAYABLE

Notes payable consist of the following:

Note payable to Community Foundation of Greater Fort Wayne, Inc., no payments through August 2024 with 1.00% accrued interest added to principal, and monthly principal and interest payments beginning September 2024, with a balloon payment of \$507,131 in April 2026, the note is unsecured.	\$ 503,343
Bridge loan with Lake City Bank, interest only payments through June 2024 at 6.60%, quarterly principal and interest payments beginning July 2024 through May 2027, secured by new building and substantially all other assets.	2,027,552
Term loan with Lake City Bank, interest only through June 2024 at 6.60%, monthly principal and interest payments beginning July 2024 through November 2030, secured by new building and substantially all other assets.	1,514,415

(continued)

9. NOTES PAYABLE (continued)

Borrowings by HFW Real Estate Holdings, Inc. pursuant to New Markets Tax Credit financing (see Note 8).	\$ 10,820,000
	14,865,310
Less: unamortized loan costs	<u>(482,908)</u>
	<u>\$ 14,382,402</u>

Maturities on notes payable at December 31, 2023, are as follows:

2024	\$ 805,987
2025	\$ 823,984
2026	\$ 828,982
2027	\$ 159,960
2028	\$ 1,426,397

Interest capitalized as construction in process totaled \$234,017 in 2023.

10. NET ASSETS

Net assets with donor restrictions are restricted as follows at December 31:

	2023	2022
Time restrictions:		
Future periods	\$ 215,000	\$ -
Specific purpose:		
Capital campaign – Homeward Bound	6,325,926	4,442,092
Angel fund	66,166	73,169
Clinic equipment	20,000	73,252
Pet Promises	144,683	28,621
Pet Food Pantry	9,534	20,562
Community Cat	14,183	16,263
Kennel repairs	<u>10,385</u>	<u>10,960</u>
	<u>\$ 6,805,877</u>	<u>\$ 4,664,919</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by occurrence of the passage of time or other events specified by donors. Net assets released from donor restrictions are as follows at December 31:

(continued)

10. NET ASSETS (continued)

	2023	2022
Specific purpose:		
Capital campaign – Homeward Bound	\$ 14,642	\$ 79,942
Angel fund	18,538	26,741
Clinic equipment	73,252	5,149
Pet Promises	16,646	73,139
Pet Food Pantry	61,209	24,819
Kennel repairs	575	-
Community Cat	<u>2,841</u>	<u>2,859</u>
	<u>\$ 187,703</u>	<u>\$ 212,649</u>

Net assets without donor restrictions are as follows at December 31:

	2023	2022
Board designated:		
Capital campaign – Homeward Bound	\$ 271,105	\$ 1,013,187
Pet Food Pantry	<u>-</u>	<u>116,867</u>
	271,105	1,130,054
Undesignated	<u>4,148,832</u>	<u>3,449,346</u>
	<u>\$ 4,419,937</u>	<u>\$ 4,579,400</u>

11. CONTRIBUTED NONFINANCIAL ASSETS

The Organization recognized the following contributions of nonfinancial assets for the year ended December 31:

	2023	2022
Program:		
Animal food, supplies and equipment	\$ 103,239	\$ 59,694
Professional fees	12,233	11,631
Office expense	-	650
Management and general:		
Professional fees	2,291	5,136
Office expense	-	10
Fundraising:		
Professional fees	1,167	895
Office expense	<u>-</u>	<u>415</u>
	<u>\$ 118,930</u>	<u>\$ 78,431</u>

(continued)

11. CONTRIBUTED NONFINANCIAL ASSETS (continued)

Animal food, supplies and equipment expense consists of cat litter, cat and dog food, and small equipment used to care for animals at the Organization’s clinic and shelter. These are valued at the retail value of comparable products sold at local stores.

Professional fees are services provided to the Organization by a local company for computer and software support services and valued at rates normally charged by the company to their customers.

Office expense are supplies utilized by the Organization and are valued at the retail value normally charged by the vendor.

All contributed nonfinancial assets were utilized internally by the Organization. No amounts were sold. None of the contributed nonfinancial assets have donor-imposed restrictions.

12. GOVERNMENT GRANTS

The Organization received support from the following government programs for the year ended December 31:

	2023	2022
U.S. Department of Treasury:		
Passed through City of Fort Wayne:		
#21.027 State and Local Fiscal		
Recovery Funds (ARPA)	\$ 20,000	\$ -

13. ADVERTISING COSTS

Advertising costs are charged to operations when incurred. The cost of advertising charged to operations was \$32,499 for 2023 and \$28,223 for 2022.

14. OPERATING LEASES – RIGHT-OF-USE ASSET AND LIABILITY

The following lease related assets and liabilities are recorded on the statement of financial position as of December 31:

(continued)

14. OPERATING LEASES – RIGHT-OF-USE ASSET AND LIABILITY (continued)

	2023	2022
Assets:		
Operating lease right-of-use assets	<u>\$ 36,068</u>	<u>\$ 58,888</u>
Liabilities:		
Operating lease liability	<u>\$ 36,068</u>	<u>\$ 58,888</u>

The Organization leases building space for its Pet Food Pantry program under an operating lease expiring in October 2024. The Organization makes monthly payments of \$1,650 with an implied interest rate of 4.54%. Total lease expense was \$19,800 for 2023 and \$18,300 for 2022.

The Organization signed a lease in December 2022 to lease office equipment under an operating lease beginning in January 2023 and expiring in March 2028. The Organization will make monthly payments of \$425 with an implied interest rate of 3.99%. Total lease expense was \$5,100 for 2023 and \$-0- for 2022.

Minimum future rental payments under the noncancelable operating lease as of December 31, 2023 for each of the next five years and in the aggregate are as follows:

2024	\$ 21,600
2025	5,100
2026	5,100
2027	5,100
2028	<u>1,275</u>
	38,175
Less imputed interest	<u>2,107</u>
Operating lease liability	<u>\$ 36,068</u>
Weighted average remaining lease term	2.57 years
Weighted average discount rate	4.23%

15. CREDIT RISK AND CONCENTRATIONS

The Organizations maintain cash at local banks and a credit union. The Federal Deposit Insurance Corporation insures these cash balances up to \$250,000 per bank or up to \$250,000 by the National Credit Union Association per credit union. As of December 31, 2023, deposits in excess of the insured amounts totaled \$7,651,680.

16. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

	2023	2022
Cash and cash equivalents	\$ 1,282,017	\$ 1,561,584
Cash restricted for long-term purposes	<u>6,629,057</u>	<u>117,709</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 7,911,074</u>	<u>\$ 1,679,293</u>

Cash restricted for long-term purposes represents cash received for the Homeward Bound capital campaign not yet spent.

Non-cash financing activities for 2023 included purchases of property and equipment in accounts payable of \$504,596.

17. EMPLOYEE BENEFIT PLAN

The Organizations have a defined contribution plan (Plan). Contributions to the Plan are made upon completion of the eligibility requirements. Normal contributions to the Plan are 2% of each eligible employee's total compensation. Employee benefit expense under the Plan was \$37,204 in 2023 and \$21,280 in 2022.

18. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31 comprise the following:

	2023	2022
Cash, cash equivalents, and restricted cash	\$ 7,911,074	\$ 1,679,293
Contributions receivable – net	1,654,559	1,386,734
Accounts and interest receivable	9,983	18,415
HFW Investment Fund, LLC receivable	7,921,700	-
Investments and certificates of deposit	<u>1,774,784</u>	<u>4,795,070</u>
Total financial assets	19,272,100	7,879,512

(continued)

18. AVAILABILITY AND LIQUIDITY (continued)

	2023	2022
Less:		
Cash restricted for long-term purposes	\$ (6,629,057)	\$ (117,709)
Contributions receivable for long-term purposes	(1,118,924)	(1,368,473)
Cash designated for Pet Food Pantry	-	(116,867)
HFW Investment Fund, LLC receivable Restricted for long-term purposes	(7,921,700)	-
Certificate of deposit restricted for long-term purposes	-	(2,403,614)
Certificate of deposit designated for long-term purposes	<u>(315,063)</u>	<u>(1,013,187)</u>
	<u>(15,984,744)</u>	<u>(5,019,850)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,287,356</u>	<u>\$ 2,859,662</u>

In addition to financial assets available to meet general expenditures over the next year, the Organization has available a \$500,000 line of credit.

19. COMMITMENTS

During 2023, the Organization entered into a construction contract for a new building. The total contract amount is \$10,512,332 of which \$5,016,967 has been paid as of December 31, 2023.

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2023**

	Humane Fort Wayne, Inc.	HFW Real Estate Holdings, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,282,017	\$ -	\$ -	\$ 1,282,017
Interest receivable	855	-	-	855
Accounts receivable	9,128	-	-	9,128
Contributions receivable - net	1,654,559	-	-	1,654,559
Investments	1,459,721	-	-	1,459,721
Inventory	79,731	-	-	79,731
Prepaid expenses and other assets	19,635	-	-	19,635
Operating lease right-of-use asset	36,068	-	-	36,068
Cash - restricted for long-term purposes	775,730	5,853,327	-	6,629,057
Certificate of deposit - designated for long-term purposes	315,063	-	-	315,063
Certificate of deposit - restricted for long-term purposes	-	-	-	-
HFW Investment Fund, LLC receivable	7,921,700	-	-	7,921,700
Property and equipment - net	1,926,151	4,988,361	-	6,914,512
	<u>\$15,480,358</u>	<u>\$10,841,688</u>	<u>\$ -</u>	<u>\$26,322,046</u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 37,816	\$ 504,596	\$ -	\$ 542,412
Accrued expenses	135,350	-	-	135,350
Operating lease liabilities	36,068	-	-	36,068
Notes payable - net	4,045,310	10,337,092	-	14,382,402
	<u>4,254,544</u>	<u>10,841,688</u>	<u>-</u>	<u>15,096,232</u>
Net Assets:				
Without donor restrictions	4,419,937	-	-	4,419,937
With donor restrictions	6,805,877	-	-	6,805,877
	<u>11,225,814</u>	<u>-</u>	<u>-</u>	<u>11,225,814</u>
	<u>\$15,480,358</u>	<u>\$10,841,688</u>	<u>\$ -</u>	<u>\$26,322,046</u>

See independent auditors' report.

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES**
Year Ended December 31, 2023

	Humane Fort Wayne, Inc.	HFW Real Estate Holdings, Inc.	Eliminations	Consolidated
CHANGE IN NET ASSETS				
Support, Revenue and Gains:				
Contributions, bequests, and grants	\$ 1,110,918	\$ -	\$ -	\$ 1,110,918
Government grants	20,000	-	-	20,000
Contributed nonfinancial assets	118,930	-	-	118,930
Special events:				
Revenue	38,738	-	-	38,738
Less direct benefit to donors	(43,936)	-	-	(43,936)
Clinic revenue	1,891,172	-	-	1,891,172
Adoption fees	188,195	-	-	188,195
Product sales - net of cost of goods sold of \$42,273	(1,001)	-	-	(1,001)
Miscellaneous income	26,727	-	-	26,727
Interest and investment income - net	133,499	-	-	133,499
Realized and unrealized gain on investments	148,025	-	-	148,025
Net Assets Released From Restrictions	<u>187,703</u>	<u>-</u>	<u>-</u>	<u>187,703</u>
Total Support, Revenues and Gains	<u>3,818,970</u>	<u>-</u>	<u>-</u>	<u>3,818,970</u>
Expenses and Losses:				
Program services	3,190,437	-	-	3,190,437
Management and general	440,211	-	-	440,211
Fundraising	347,785	-	-	347,785
Total Expenses and Losses	<u>3,978,433</u>	<u>-</u>	<u>-</u>	<u>3,978,433</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>(159,463)</u>	<u>-</u>	<u>-</u>	<u>(159,463)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Support and Revenues:				
Contributions	2,328,661	-	-	2,328,661
Net assets released from restriction	(187,703)	-	-	(187,703)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>2,140,958</u>	<u>-</u>	<u>-</u>	<u>2,140,958</u>
CHANGE IN NET ASSETS	<u>1,981,495</u>	<u>-</u>	<u>-</u>	<u>1,981,495</u>
NET ASSETS - January 1, 2023	<u>9,244,319</u>	<u>-</u>	<u>-</u>	<u>9,244,319</u>
NET ASSETS - December 31, 2023	<u>\$11,225,814</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,225,814</u>

See independent auditors' report.

