

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

FINANCIAL STATEMENTS

**Year Ended December 31, 2024
With Summarized Information for December 31, 2023**

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Offices Located in Ft. Wayne and Marion Indiana

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, 2024, 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, 2024, 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.

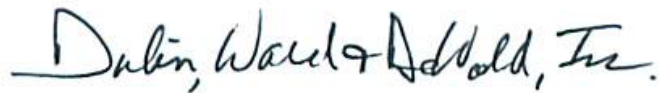
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2024 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 2023 consolidated financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 18, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Dublin, Ward & Adbold, Inc.".

Fort Wayne, Indiana

August 21, 2025

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

December 31, 2024

With Summarized Information for December 31, 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 1,682,774	\$ 1,282,017
Interest receivable	2,744	855
Accounts receivable	12,296	9,128
Contributions receivable - net	1,975,472	1,654,559
Certificate of deposit	284,763	-
Investments	1,634,451	1,459,721
Inventory	152,991	79,731
Prepaid expenses and other assets	14,475	19,635
Operating lease right-of-use asset	15,521	36,068
Cash - restricted for long-term purposes	780,784	6,629,057
Certificate of deposit - designated for long-term purposes	-	315,063
HFW Investment Fund, LLC receivable	7,921,700	7,921,700
Property and equipment - net	<u>13,893,203</u>	<u>6,914,512</u>
Total Assets	<u><u>\$ 28,371,174</u></u>	<u><u>\$ 26,322,046</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 45,367	\$ 542,412
Accrued expenses	53,113	135,350
Operating lease liabilities	15,521	36,068
Notes payable - net	<u>14,817,393</u>	<u>14,382,402</u>
Total Liabilities	14,931,394	15,096,232
Net Assets:		
Without donor restrictions	10,814,970	4,419,937
With donor restrictions	<u>2,624,810</u>	<u>6,805,877</u>
Total Net Assets	<u><u>13,439,780</u></u>	<u><u>11,225,814</u></u>
Total Liabilities and Net Assets	<u><u>\$ 28,371,174</u></u>	<u><u>\$ 26,322,046</u></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, 2024

With Summarized Information for the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
CHANGE IN NET ASSETS				
Support, Revenue and Gains:				
Contributions, bequests, and grants	\$ 2,269,055	\$ 2,218,065	\$ 4,487,120	\$ 3,439,579
Government grants	-	-	-	20,000
Contributed nonfinancial assets	133,846	-	133,846	118,930
Special events:				
Revenue	37,060	-	37,060	38,738
Less direct benefit to donors	(47,885)	-	(47,885)	(43,936)
Clinic revenue	1,997,552	-	1,997,552	1,891,172
Adoption fees	176,110	-	176,110	188,195
Product sales - net of cost of goods sold				
of \$41,315 for 2024 and \$42,273 for 2023	3,438	-	3,438	(1,001)
Miscellaneous income	30,101	-	30,101	26,727
Interest and investment income - net	162,719	-	162,719	133,499
Realized and unrealized gain on investments	153,974	-	153,974	148,025
Net Assets Released From Restrictions	<u>6,399,132</u>	<u>(6,399,132)</u>	<u>-</u>	<u>-</u>
Total Support, Revenue and Gains	11,315,102	(4,181,067)	7,134,035	5,959,928
Expenses:				
Program	3,623,468	-	3,623,468	3,190,437
Management and general	772,451	-	772,451	440,211
Fundraising	<u>524,150</u>	<u>-</u>	<u>524,150</u>	<u>347,785</u>
Total Expenses	<u>4,920,069</u>	<u>-</u>	<u>4,920,069</u>	<u>3,978,433</u>
CHANGE IN NET ASSETS	6,395,033	(4,181,067)	2,213,966	1,981,495
NET ASSETS - beginning of year	<u>4,419,937</u>	<u>6,805,877</u>	<u>11,225,814</u>	<u>9,244,319</u>
NET ASSETS - end of year	<u><u>\$ 10,814,970</u></u>	<u><u>\$ 2,624,810</u></u>	<u><u>\$ 13,439,780</u></u>	<u><u>\$ 11,225,814</u></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 FUNCTIONAL EXPENSES
Year Ended December 31, 2024
With Summarized Information for the Year Ended December 31, 2023

	Program	Management and General	Fundraising	2024 Total	2023 Total
Salaries	\$ 1,703,681	\$ 490,099	\$ 140,029	\$ 2,333,809	\$ 2,054,359
Employee benefits	146,733	42,211	12,060	201,004	171,864
Payroll taxes	131,238	37,753	10,787	179,778	164,416
Total Salaries and Related Expenses	1,981,652	570,063	162,876	2,714,591	2,390,639
Veterinarian and clinic expense	642,242	-	-	642,242	677,197
Animal food, supplies and permits	319,717	-	-	319,717	271,003
Occupancy	208,998	18,019	18,019	245,036	187,164
Advertising	-	-	159,387	159,387	32,499
Office expense	100,901	29,026	14,393	144,320	128,279
Professional fees	31,076	96,674	2,554	130,304	70,116
Interest expense	109,158	10,396	10,396	129,950	-
Postage and printing	-	-	102,630	102,630	82,133
Insurance	42,331	9,191	3,831	55,353	29,893
Supplies and promotion	-	-	33,644	33,644	19,051
Transportation	14,590	-	-	14,590	14,121
Other expenses	392	3,169	-	3,561	16,210
Licenses and permits	-	3,396	-	3,396	3,418
Total Expenses Before Depreciation	3,451,057	739,934	507,730	4,698,721	3,921,723
Amortization	-	16,097	-	16,097	-
Depreciation	172,411	16,420	16,420	205,251	56,710
Statement of Activities Functional Expenses	3,623,468	772,451	524,150	4,920,069	3,978,433
Expenses netted with support and revenue:					
Direct benefit to donors	-	-	47,885	47,885	43,936
Cost of goods sold	41,315	-	-	41,315	42,273
Total Functional Expenses	<u>\$ 3,664,783</u>	<u>\$ 772,451</u>	<u>\$ 572,035</u>	<u>\$ 5,009,269</u>	<u>\$ 4,064,642</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 CASH FLOWS**

Year Ended December 31, 2024

With Summarized Information for the Year Ended December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,213,966	\$ 1,981,495
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	205,251	56,710
Amortization of loan costs	16,097	-
Realized and unrealized (gain) loss on investments	(153,974)	(148,025)
Contributions restricted for long-term purposes	(1,569,859)	(1,918,581)
Change in present value discount	-	17,082
Bad debt write-offs	-	3,023
Interest expense added to note payable	3,366	3,343
Reinvested investment income	(30,717)	(27,443)
Reinvested interest from certificates of deposit	(14,323)	(33,958)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and interest receivable	(5,057)	8,432
Contributions receivable	(116,840)	(90,125)
Inventory	(73,260)	2,332
Prepaid and other assets	5,160	(5,498)
Increase (decrease) in:		
Accounts payable	(497,045)	(110,242)
Accrued expenses	(82,237)	56,637
Cash Flows From Operating Activities	(99,472)	(204,818)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	(98,190)	(336,716)
Purchase of investments	108,151	412,044
Redemption of certificates of deposit	44,623	3,154,384
Funds issued to HFW Investment Fund, LLC	-	(7,921,700)
Purchase of property and equipment	(7,183,942)	(4,971,248)
Cash Flows From Investing Activities	(7,129,358)	(9,663,236)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	928,025	14,861,967
Notes payable closing costs	-	(482,908)
Payments on notes payable	(512,497)	-
Collections of contributions restricted for long-term purposes	1,365,786	1,720,776
Cash Flows From Financing Activities	1,781,314	16,099,835
INCREASE (DECREASE) IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	(5,447,516)	6,231,781
CASH, RESTRICTED CASH AND CASH EQUIVALENTS - beginning of year	7,911,074	1,679,293
CASH, RESTRICTED CASH AND CASH EQUIVALENTS - end of year	<u>\$ 2,463,558</u>	<u>\$ 7,911,074</u>

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, 2024 and 2023**

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.

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.

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 one eighteen month certificate maturing in December 2025, at December 31, 2024, and two eighteen month certificates maturing in June 2024 and December 2024 at December 31, 2023.

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, 2024 and 2023, are immaterial.

(continued)

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

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 consolidated 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.

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.

Right-of-Use Leased Assets and Liabilities

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.

The Organizations elected the package of practical expedients and to not separate lease and non-lease components for all leases. The Organizations have 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.

(continued)

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

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.

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 \$535,385 in 2024 and \$375,143 in 2023.

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.

(continued)

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

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.

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, 2023, from which the summarized information was derived.

(continued)

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

Subsequent Events

Management has evaluated subsequent events through August 21, 2025, the date which the financial statements were available for issue.

2. CONTRIBUTIONS RECEIVABLE

Contributions receivable as of December 31 are as follows:

	2024	2023
Promises to give receivable	\$ 2,077,572	\$ 1,756,659
Less unamortized present value discount (2.09% - 7.16%)	<u>(102,100)</u>	<u>(102,100)</u>
Net promises to give receivable	<u>\$ 1,975,472</u>	<u>\$ 1,654,559</u>
Amounts due in:		
Less than one year	\$ 1,176,549	\$ 535,635
One to five years	<u>901,023</u>	<u>1,221,024</u>
	<u>\$ 2,077,572</u>	<u>\$ 1,756,659</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 consist of the following at December 31:

	2024	2023
Mutual funds - equities	\$ 1,228,232	\$ 1,044,249
Mutual funds - fixed income	<u>355,395</u>	<u>377,870</u>
	1,583,627	1,422,119
Cash and cash equivalents	<u>50,824</u>	<u>37,602</u>
	<u>\$ 1,634,451</u>	<u>\$ 1,459,721</u>

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2024	2023
Land	\$ 199,862	\$ 199,862
Building and improvements	13,326,444	892,944
Furniture and equipment	1,238,457	437,743
Vehicles	<u>60,047</u>	<u>60,047</u>
	14,824,810	1,590,596
Accumulated depreciation	<u>(931,607)</u>	<u>(726,356)</u>
	13,893,203	864,240
Construction in progress	<u>-</u>	<u>6,050,272</u>
	<u>\$ 13,893,203</u>	<u>\$ 6,914,512</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.

(continued)

6. FAIR VALUE MEASUREMENT (continued)

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:

	2024	2023
	Level 1	Level 1
Investments:		
Equities:		
Mutual funds	\$ 902,934	\$ 758,973
Financials	115,878	89,936
International	209,420	195,340
Fixed income:		
Mutual funds	<u>355,395</u>	<u>377,870</u>
	<u>\$ 1,583,627</u>	<u>\$ 1,422,119</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% (7.25% at December 31, 2024). The line of credit is secured by the Organization's investment accounts and matures in January 2027. No amount was outstanding as of December 31, 2024 and 2023.

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 investment (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:

	2024	2023
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.	\$ 506,708	\$ 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.	1,527,552	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	1,514,415

(continued)

9. NOTES PAYABLE (continued)

	2024	2023
Bridge loan with Lake City Bank, interest only payments through September 2024 at 6.60%, quarterly principal and interest payments beginning October 2024 through May 2027, secured by new building and substantially all other assets.	\$ 915,528	\$ -
Borrowings by HFW Real Estate Holdings, Inc. pursuant to New Markets Tax Credit financing (see Note 8).	<u>10,820,000</u>	<u>10,820,000</u>
	15,284,203	14,865,310
Less unamortized loan costs	<u>(466,810)</u>	<u>(482,908)</u>
	<u>\$ 14,817,393</u>	<u>\$ 14,382,402</u>

Maturities on notes payable at December 31, 2024, are as follows:

2025	\$ 362,105
2026	\$ 859,959
2027	\$ 1,815,743
2028	\$ 29,023
2029	\$ 1,397,374

Interest expense charged to operations totaled \$129,950 in 2024. Interest capitalized as part of the new building placed into service totaled \$212,604 in 2024 and \$234,017 in 2023.

The borrowings by HFW Real Estate Holdings, Inc. require them to be in compliance with a financial covenant, debt service ratio, starting in 2024. They were in compliance with this ratio as of December 31, 2024.

10. NET ASSETS

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

	2024	2023
Time restrictions:		
Future periods	\$ 545,000	\$ 215,000
Specific purpose:		
Capital campaign – Homeward Bound	1,858,633	6,325,926
Angel fund	21,420	66,166
Clinic equipment	-	20,000
Pet Promises	162,254	144,683
Pet Food Pantry	-	9,534
Community Cat	22,503	14,183
Senior dog care	15,000	-
Kennel repairs	<u>-</u>	<u>10,385</u>
	<u>\$ 2,624,810</u>	<u>\$ 6,805,877</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:

	2024	2023
Time restrictions:		
Operations	\$ 215,000	\$ -
Specific purpose:		
Capital campaign – Homeward Bound	6,037,152	14,642
Angel fund	44,746	18,538
Clinic equipment	20,000	73,252
Pet Promises	31,856	16,646
Pet Food Pantry	35,297	61,209
Kennel repairs	10,385	575
Community Cat	<u>4,696</u>	<u>2,841</u>
	<u>\$ 6,399,132</u>	<u>\$ 187,703</u>

(continued)

10. NET ASSETS (continued)

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

	2024	2023
Board designated:		
Capital campaign – Homeward Bound	\$ -	\$ 271,105
Undesignated	<u>10,814,970</u>	<u>4,148,832</u>
	<u>\$ 10,814,970</u>	<u>\$ 4,419,937</u>

11. CONTRIBUTED NONFINANCIAL ASSETS

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

	2024	2023
Program:		
Animal food, supplies and equipment	\$ 118,818	\$ 103,239
Professional fees	10,684	12,233
Other expense	392	-
Management and general:		
Professional fees	3,074	2,291
Fundraising:		
Professional fees	<u>878</u>	<u>1,167</u>
	<u>\$ 133,846</u>	<u>\$ 118,930</u>

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

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

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

All contributed nonfinancial assets were utilized internally by the Organizations. 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:

	2024	2023
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 \$159,387 for 2024 and \$32,499 for 2023.

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

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

	2024	2023
Assets:		
Operating lease right-of-use assets	<u>\$ 15,521</u>	<u>\$ 36,068</u>
Liabilities:		
Operating lease liabilities	<u>\$ 15,521</u>	<u>\$ 36,068</u>

The Organization leases building space for its Pet Food Pantry program under an operating lease that expired in October 2024 and now is on a month-to-month basis. The Organization makes monthly payments of \$1,650. Total lease expense was \$19,800 for 2024 and \$19,800 for 2023.

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 makes monthly payments of \$425 with an implied interest rate of 3.99%. Total lease expense was \$5,100 for 2024 and \$5,100 for 2023.

(continued)

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

Minimum future rental payments under the noncancelable operating lease as of December 31, 2024 for each of the next five years and in the aggregate are as follows:

2025	\$ 5,100
2026	5,100
2027	5,100
2028	1,275
2029 and thereafter	<u>-</u>
	16,575
Less imputed interest	<u>1,054</u>
Operating lease liabilities	<u>\$ 15,521</u>
Weighted average remaining lease term	3.25 years
Weighted average discount rate	4.26%

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, 2024, deposits in excess of the insured amounts totaled \$2,088,713.

16. STATEMENT OF CASH FLOWS SUPPLEMENTAL DISCLOSURES

	2024	2023
Cash and cash equivalents	\$ 1,682,774	\$ 1,282,017
Cash restricted for long-term purposes	<u>780,784</u>	<u>6,629,057</u>
Total cash, cash equivalents, and restricted cash	<u>\$ 2,463,558</u>	<u>\$ 7,911,074</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 \$37,308 in 2024 and \$37,204 in 2023.

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:

	2024	2023
Cash, cash equivalents, and restricted cash	\$ 2,463,558	\$ 7,911,074
Contributions receivable – net	1,975,472	1,654,559
Accounts and interest receivable	15,040	9,983
HFW Investment Fund, LLC receivable	7,921,700	7,921,700
Investments and certificates of deposit	<u>1,919,214</u>	<u>1,774,784</u>
Total financial assets	14,294,984	19,272,100
Less:		
Cash restricted for long-term purposes	\$ (780,784)	\$ (6,629,057)
Contributions receivable for long-term purposes	(1,858,633)	(1,118,924)
HFW Investment Fund, LLC receivable Restricted for long-term purposes	(7,921,700)	(7,921,700)
Certificate of deposit designated for long-term purposes	<u>-</u>	<u>(315,063)</u>
	<u>(10,561,117)</u>	<u>(15,984,744)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 3,733,867</u>	<u>\$ 3,287,356</u>

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

HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2024

	Humane Fort Wayne, Inc.	HFW Real Estate Holdings, Inc.	Eliminations	Total
ASSETS				
Cash and cash equivalents	\$ 1,682,774	\$ -	\$ -	\$ 1,682,774
Other receivables	2,744	-	-	2,744
Accounts receivable	12,296	130,000	(130,000)	12,296
Contributions receivable - net	3,382,632	-	(1,407,160)	1,975,472
Investments	1,634,451	-	-	1,634,451
Certificate of deposit	284,763	-	-	284,763
Inventory	152,991	-	-	152,991
Prepaid expenses and other assets	14,475	-	-	14,475
Operating lease right-of-use asset	15,521	-	-	15,521
Cash - restricted for long-term purposes	417,140	363,644	-	780,784
HFW Investment Fund, LLC receivable	7,921,700	-	-	7,921,700
Property and equipment - net	4,056,168	9,837,035	-	13,893,203
Total Assets	<u><u>\$19,577,655</u></u>	<u><u>\$10,330,679</u></u>	<u><u>\$ (1,537,160)</u></u>	<u><u>\$28,371,174</u></u>
LIABILITIES AND NET ASSETS				
Accounts payable	\$ 45,367	\$ -	\$ -	\$ 45,367
Accrued expenses	53,113	-	-	53,113
Operating lease liabilities	15,521	-	-	15,521
Contributions payable	-	1,537,160	(1,537,160)	-
Notes payable - net	4,464,204	10,353,189	-	14,817,393
Total Liabilities	4,578,205	11,890,349	(1,537,160)	14,931,394
Net Assets:				
Without donor restrictions	12,374,640	(1,559,670)	-	10,814,970
With donor restrictions	2,624,810	-	-	2,624,810
Total Net Assets	<u><u>14,999,450</u></u>	<u><u>(1,559,670)</u></u>	<u><u>-</u></u>	<u><u>13,439,780</u></u>
Total Liabilities and Net Assets	<u><u>\$19,577,655</u></u>	<u><u>\$10,330,679</u></u>	<u><u>\$ (1,537,160)</u></u>	<u><u>\$28,371,174</u></u>

See independent auditors' report.

**HUMANE FORT WAYNE, INC.
AND HFW REAL ESTATE HOLDINGS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES**
Year Ended December 31, 2024

	Humane Fort Wayne, Inc.	HFW Real Estate Holdings, Inc.	Eliminations	Consolidated
CHANGE IN NET ASSETS				
Support, Revenue and Gains:				
Contributions, bequests, and grants	\$ 2,269,055	\$ -	\$ -	\$ 2,269,055
Contributed nonfinancial assets	1,671,006	-	(1,537,160)	133,846
Special events:				
Revenue	37,060	-	-	37,060
Less direct benefit to donors	(47,885)	-	-	(47,885)
Clinic revenue	1,997,552	-	-	1,997,552
Adoption fees	176,110	-	-	176,110
Product sales - net of cost of goods sold of \$41,315	3,438	-	-	3,438
Miscellaneous income	30,101	130,000	(130,000)	30,101
Interest and investment income - net	162,029	690	-	162,719
Realized and unrealized gain on investments	153,974	-	-	153,974
Net Assets Released From Restrictions	<u>6,399,132</u>	<u>-</u>	<u>-</u>	<u>6,399,132</u>
Total Support, Revenues and Gains	12,851,572	130,690	(1,667,160)	11,315,102
Expenses and Losses:				
Program services	3,732,668	1,537,160	(1,646,360)	3,623,468
Management and general	629,651	153,200	(10,400)	772,451
Fundraising	<u>534,550</u>	<u>-</u>	<u>(10,400)</u>	<u>524,150</u>
Total Expenses and Losses	<u>4,896,869</u>	<u>1,690,360</u>	<u>(1,667,160)</u>	<u>4,920,069</u>
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	7,954,703	(1,559,670)	-	6,395,033
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS				
Support and Revenues:				
Contributions	2,218,065	-	-	2,218,065
Net assets released from restriction	<u>(6,399,132)</u>	<u>-</u>	<u>-</u>	<u>(6,399,132)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(4,181,067)</u>	<u>-</u>	<u>-</u>	<u>(4,181,067)</u>
CHANGE IN NET ASSETS	3,773,636	(1,559,670)	-	2,213,966
NET ASSETS - January 1, 2024	<u>11,225,814</u>	<u>-</u>	<u>-</u>	<u>11,225,814</u>
NET ASSETS - December 31, 2024	<u><u>\$14,999,450</u></u>	<u><u>\$ (1,559,670)</u></u>	<u><u>\$ -</u></u>	<u><u>\$13,439,780</u></u>

See independent auditors' report.