

**HOMEWARD PET ADOPTION CENTER**

Financial Statements  
December 31, 2023 and 2022

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Homeward Pet Adoption Center  
Woodinville, Washington

### **Opinion**

We have audited the accompanying financial statements of Homeward Pet Adoption Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023, and the related 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 Homeward Pet Adoption Center as of December 31, 2023, and the changes in its net assets and its 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeward Pet Adoption Center 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.

### **Prior Period Financial Statements**

The financial statements of Homeward Pet Adoption Center as of December 31, 2022 were audited by other auditors whose report dated November 20, 2023 expressed an unmodified opinion on those statements.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 Homeward Pet Adoption Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Amanda O'Rourke, CPA  
Matt Smith, CPA  
Claire Chow, CPA  
Jason Mallon, CPA  
Andrew Van Ness, CPA



### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 Homeward Pet Adoption Center'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 Homeward Pet Adoption Center'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.

*Greenwood Ohlund*

Seattle, Washington  
June 6, 2024

## HOMEWARD PET ADOPTION CENTER

### STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS	2023	2022
Current Assets		
Cash and cash equivalents	\$ 302,235	\$ 887,407
Investments	1,536,070	959,870
Contributions receivable	14,440	16,796
Inventory	47,244	48,289
Prepaid expenses	27,254	31,634
Total current assets	1,927,243	1,943,996
Cash and Cash Equivalents Restricted for		
Property and Equipment	52,676	-
Right-of-Use Assets – Operating Leases	1,416,069	1,583,558
Property and Equipment, net	192,388	138,927
Deposits	37,000	37,000
Total assets	\$ 3,625,376	\$ 3,703,481
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable	\$ 51,615	\$ 17,597
Accrued salaries and related	106,150	126,752
Operating lease liability	118,859	96,891
Total current liabilities	276,624	241,240
Operating Lease Liability, less current portion	1,436,637	1,555,492
Total liabilities	1,713,261	1,796,732
Net Assets		
Without donor restrictions	1,675,521	1,594,570
With donor restrictions	236,594	312,179
Total net assets	1,912,115	1,906,749
Total liabilities and net assets	\$ 3,625,376	\$ 3,703,481

*See accompanying notes to financial statements.*

## HOMEWARD PET ADOPTION CENTER

### STATEMENTS OF ACTIVITIES For the Years Ended December 31, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Contributions	\$ 1,830,192	\$ 103,640	\$ 1,933,832	\$ 1,395,301	\$ 278,964	\$ 1,674,265
In-kind contributions	113,840	-	113,840	174,178	-	174,178
Special event revenue	390,282	-	390,282	339,072	-	339,072
Special event – direct benefit to donor	(97,814)	-	(97,814)	(183,193)	-	(183,193)
Adoption services	198,447	-	198,447	153,213	-	153,213
Investment return	128,240	-	128,240	(128,070)	-	(128,070)
Net assets released from restrictions	179,225	(179,225)	-	196,626	(196,626)	-
Total support and revenue	2,742,412	(75,585)	2,666,827	1,947,127	82,338	2,029,465
Expenses						
Program services	1,848,472	-	1,848,472	1,551,837	-	1,551,837
Management and general	420,104	-	420,104	418,685	-	418,685
Fundraising	392,885	-	392,885	388,637	-	388,637
Total expenses	2,661,461	-	2,661,461	2,359,159	-	2,359,159
<b>Change in net assets</b>	<b>80,951</b>	<b>(75,585)</b>	<b>5,366</b>	<b>(412,032)</b>	<b>82,338</b>	<b>(329,694)</b>
Net Assets, beginning of year	1,594,570	312,179	1,906,749	2,006,602	229,841	2,236,443
Net Assets, end of year	<u>\$ 1,675,521</u>	<u>\$ 236,594</u>	<u>\$ 1,912,115</u>	<u>\$ 1,594,570</u>	<u>\$ 312,179</u>	<u>\$ 1,906,749</u>

*See accompanying notes to financial statements.*

## HOMEWARD PET ADOPTION CENTER

### STATEMENTS OF FUNCTIONAL EXPENSES For the Years Ended December 31, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related	\$ 1,233,335	\$ 210,790	\$ 307,528	\$ 1,751,653	\$ 1,047,449	\$ 227,656	\$ 296,480	\$ 1,571,585
Facilities	247,985	30,863	30,863	309,711	211,386	26,941	26,407	264,734
Animal care	262,002	18	-	262,020	254,836	147	-	254,983
Event meals, entertainment and other	532	75	108,220	108,827	-	-	183,193	183,193
Office	22,557	55,171	25,639	103,367	13,358	18,771	5,936	38,065
Professional fees	1,796	75,923	1,642	79,361	7,348	64,863	818	73,029
Depreciation and amortization	37,171	4,646	4,646	46,463	9,901	1,237	1,238	12,376
Technology	16,390	12,153	7,720	36,263	-	6,776	-	6,776
Insurance	12,649	8,685	1,532	22,866	-	6,242	-	6,242
Travel	3,625	16,354	1,207	21,186	115	9,394	-	9,509
Marketing	8,120	2,900	1,650	12,670	766	6,153	57,758	64,677
Miscellaneous	873	2,089	52	3,014	-	48,898	-	48,898
Store expenses	1,437	437	-	1,874	-	1,607	-	1,607
Volunteers	-	-	-	-	6,678	-	-	6,678
Total expenses	1,848,472	420,104	490,699	2,759,275	1,551,837	418,685	571,830	2,542,352
Special event – direct benefit to donor	-	-	(97,814)	(97,814)	-	-	(183,193)	(183,193)
	<u>\$ 1,848,472</u>	<u>\$ 420,104</u>	<u>\$ 392,885</u>	<u>\$ 2,661,461</u>	<u>\$ 1,551,837</u>	<u>\$ 418,685</u>	<u>\$ 388,637</u>	<u>\$ 2,359,159</u>

*See accompanying notes to financial statements.*

## HOMEWARD PET ADOPTION CENTER

### STATEMENTS OF CASH FLOWS For the Years Ended December 31, 2023 and 2022

	2023	2022
Cash Flows from Operating Activities		
Change in net assets	\$ 5,366	\$ (329,694)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Contributions restricted for property and equipment	-	(110,885)
Depreciation and amortization	46,464	12,376
Amortization of right-of-use asset	167,489	153,711
Net realized and unrealized loss (gain) on investments	(102,458)	155,422
Changes in operating assets and liabilities:		
Contributions receivable	2,356	9,612
Inventory	1,045	(209)
Prepaid expenses	4,380	(1,349)
Accounts payable	34,018	(9,964)
Accrued salaries and related	(20,602)	17,824
Operating lease liability	(96,887)	(100,541)
Net cash flows from operating activities	41,171	(203,697)
Cash Flows from Investing Activities		
Contributions received restricted for property and equipment	-	110,885
Purchases of investments	(920,913)	(70,495)
Proceeds from sales of investments	447,171	41,221
Purchases of property and equipment	(99,925)	(110,388)
Net cash flows from investing activities	(573,667)	(28,777)
<b>Net change in cash and cash equivalents</b>	<b>(532,496)</b>	<b>(232,474)</b>
Cash and Cash Equivalents, beginning of year	887,407	1,119,881
Cash and Cash Equivalents, end of year	\$ 354,911	\$ 887,407
Cash and Cash Equivalents, as presented on the statements of financial position		
Cash and cash equivalents		
Cash and cash equivalents restricted for property and equipment	\$ 302,235	\$ 887,407
	52,676	-
Cash and Cash Equivalents, end of year	\$ 354,911	\$ 887,407

*See accompanying notes to financial statements.*



# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Organization and Summary of Significant Accounting Policies

#### *Organization*

Homeward Pet Adoption Center (the Organization), located in Woodinville, is one of the leading no-kill animal shelters in Washington State. Founded in 1990, the Organization transforms the lives of cats and dogs in need through compassionate medical care, positive behavior training and successful adoption while building a more humane community.

The Organization finds new homes for over 1,000 cats, dogs, puppies and kittens every year. The Organization also provides extensive community outreach programs including distributing food and supplies to 21 area food banks and offering reduced fees for pet services through their Public Spay and Neuter program.

#### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

#### *Financial Statement Presentation*

In accordance with accounting principles generally accepted in the United States of America, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

The Board of Directors has designated certain net assets without donor restrictions for the following purposes at December 31:

	2023	2022
Strategic initiative reserves	\$ 1,071,097	\$ -
Operating reserves	462,108	-
Capital reserves	16,192	-
Board scholarship	2,448	4,944
	<u>\$ 1,551,845</u>	<u>\$ 4,944</u>

#### *Net Assets with Donor Restrictions*

Net assets with donor restrictions consist of net assets subject to donor-imposed stipulations that will be met by the actions of the Organization. Net assets with donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted purposes.

Contributions that the donor requires to be used to acquire long-lived assets (e.g., leasehold improvements, furniture, fixtures, and equipment) are reported as net assets with donor restrictions. When the long-lived asset is placed into service, the Organization reflects the expiration of the donor-imposed restriction as a reclassification included in net assets released from restrictions.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

Net assets with donor restrictions are available for the following purposes at December 31:

	2023	2022
Purpose Restrictions for Programs		
Whoopi's Fund	\$ 86,601	\$ 100,973
Public Spay and Neuter	47,944	34,130
Behavior program	15,433	15,944
Homeward Vet	14,105	16,990
Pay it Forward	14,081	16,762
	<u>178,164</u>	<u>184,799</u>
Purpose Restrictions for Property and Equipment		
Remodel Campaign	41,935	110,885
Capital Campaign	16,495	16,495
	<u>58,430</u>	<u>127,380</u>
	<u>\$ 236,594</u>	<u>\$ 312,179</u>

### *Cash and Cash Equivalents*

Cash and cash equivalents include cash in banks. On occasion, the Organization has amounts deposited with financial institutions in excess of federally insured limits. Certain cash and cash equivalents are restricted by the donor for long-term purposes (property and equipment) and, therefore, are classified as noncurrent assets on the statements of financial position.

### *Fair Value Measurements*

Fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. There are three levels that prioritize the inputs used in measuring fair value as follows:

- Level 1: Observable market inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Observable market inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3: Unobservable inputs where there is little or no market data, which require the reporting entity to develop its own assumptions.

### *Investments*

Investments in mutual funds are reported at their fair value in the statements of financial position using Level 1 inputs in the fair value hierarchy described above.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

Investments consist of the following at December 31:

	2023	2022
Cash and cash equivalents	\$ 31,796	\$ 24,047
Bond mutual funds	850,408	513,337
Equity mutual funds	337,833	279,819
Treasury bills	299,420	-
Government bonds	16,613	
Gold commodities	-	142,667
	<u>\$ 1,536,070</u>	<u>\$ 959,870</u>

Investment return consists of realized and unrealized gains and losses and dividends and interest, less external investment fees, and is reported on the statements of activities as increases or decreases in net assets without donor restrictions unless a donor restricts its use.

### *Contributions Receivable*

Contributions receivable are stated at their outstanding principal balances. Management reviews the collectability of contributions receivable on a periodic basis and determines the need for an allowance. The Organization charges off receivables to the allowance when management determines that a receivable is not collectible. Management determined that no allowance was necessary at December 31, 2023 or 2022.

### *Inventory*

Inventory is stated at the lower of cost and net realizable value under the first-in, first-out method of accounting. Donated inventory is valued at estimated fair value using a blended price times the quantity received of the donated item.

Inventory consists of the following at December 31:

	2023	2022
Animal food	\$ 31,620	\$ 32,469
Clinic medicine and supplies	15,624	15,820
	<u>\$ 47,244</u>	<u>\$ 48,289</u>

### *Leases*

The Organization determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities in the statements of financial position.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

ROU assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as right of use assets or lease obligations on the statements of financial position. The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate non-lease components from lease components and instead accounts for each separate lease component and the non-lease component as a single lease component.

### *Property and Equipment*

Property and equipment are stated at cost, if purchased, or at fair value at the time of the donation, if donated. The Organization capitalizes all items with a cost or fair value over \$2,500 and a useful life of more than one year. Depreciation and amortization is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives approximate five years for equipment. Leasehold improvements are amortized over the shorter of the life of the assets improved, or the lease, resulting in a life of six years.

Property and equipment consist of the following at December 31:

	2023	2022
Leasehold improvements	\$ 294,356	\$ 285,212
Animal kennels	175,994	60,640
Clinic and surgery equipment	65,750	45,244
Office furniture and equipment	43,074	43,293
Transportation equipment	37,763	37,763
	616,937	472,152
Less: Accumulated depreciation and amortization	(424,549)	(441,544)
	192,388	30,608
Construction in progress	-	108,319
	<u>\$ 192,388</u>	<u>\$ 138,927</u>

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

### *Revenue Recognition*

Contributions (including those received at special events) are recorded when unconditionally pledged as with or without donor restriction, depending on the existence and/or nature of any donor restrictions. Restricted contributions for which the restrictions are met within the same reporting period the unconditional pledge is received are recognized as increases in net assets without donor restrictions. Contributions from one donor represented 26% of total support and revenue for the year ended December 31, 2023. There were no concentrations of contribution revenue during the year ended December 31, 2022.

Revenue for adoption services is recognized at a point-in-time, which is generally when the customer signs the adoption agreement. The Organization sells items needed for animal care that are recognized upon the sale of items, net of sales taxes and discounts. There are no significant estimates involved in the recognition of adoption services revenue.

### *In-Kind Contributions*

In-kind contributions consist primarily of program-related goods and services and are recorded at their estimated fair values at the date of donation. The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers made significant contributions of their time to carry out programs and activities of the Organization. The estimated value of the volunteer services is not included in these financial statements because it does not meet the accounting criteria for recording.

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related are allocated based on employee hours. Facilities and depreciation and amortization are allocated based on square footage of the related building. All other expenses are allocated based on direct costs.

### *Federal Income Taxes*

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax.

### *Reclassifications*

Certain prior year balances have been reclassified to conform to the current year presentation.

### *Subsequent Events*

Management of the Organization has evaluated subsequent events through the date these financial statements were available to be issued, which was June 6, 2024.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

### Note 2 – Liquidity and Availability of Resources

The Organization has liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are primarily invested in mutual funds and cash and cash equivalents.

The following table reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position dates because of donor restrictions or internal board designations. Amounts not available include board-designated funds that are intended to fund any cash needs or board initiatives and are not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution.

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 354,911	\$ 887,407
Investments	1,536,070	959,870
Contributions receivable	14,440	16,796
	<u>1,905,421</u>	<u>1,864,073</u>
Amounts not available for general use within one year		
Net assets with board designations	(1,089,737)	(4,944)
Net assets with donor restrictions	(236,594)	(312,179)
	<u>\$ 579,090</u>	<u>\$ 1,546,950</u>

### Note 3 – Operating Lease

The Organization leases its office location under an operating lease agreement through September 2031. This lease provides for annual increases in future minimum monthly rental payments and requires the Organization to pay a proportionate share of operating costs.

The Organization has recognized an operating lease ROU asset and corresponding operating lease liability, representing the discounted payments required under the leases through maturity. ROU assets obtained in exchange for new operating lease liabilities totaled \$1,752,924 during the year ended December 31, 2022.

Operating lease costs under this lease totaled \$205,670 and \$181,813 during the years ended December 31, 2023 and 2022, respectively, and is included within facilities in the statements of functional expenses. Net operating cash flows for this operating lease totaled \$135,078 and \$135,072 for the years ended December 31, 2023 and 2022, respectively.

## HOMEWARD PET ADOPTION CENTER

### NOTES TO FINANCIAL STATEMENTS

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2023 is as follows for the years ending December 31:

2024	\$	154,560
2025		199,650
2026		210,498
2027		221,022
2028		232,077
Thereafter		<u>697,553</u>
		1,715,360
Less: Imputed Interest (at 2.39%)		<u>(159,864)</u>
	\$	<u><u>1,555,496</u></u>

Operating lease liabilities are presented in the statements of financial position as follows at December 31:

	<u>2023</u>	<u>2022</u>
Operating lease liabilities (a current liability)	\$ 118,859	\$ 96,891
Operating lease liabilities, less current portion	<u>1,436,637</u>	<u>1,555,492</u>
	<u>\$ 1,555,496</u>	<u>\$ 1,652,383</u>

#### Note 4 – Employee Benefit Plan

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE/IRA) for employees who earn \$5,000 in gross wages or more annually. The Organization made total contributions of \$26,636 and \$28,988 to the SIMPLE/IRA for the years ended December 31, 2023 and 2022, respectively.