

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY  
Pittsburgh, Pennsylvania

Consolidated Financial Statements  
For the years ended December 31, 2024 and 2023  
and Independent Auditor's Report Thereon



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## C O N T E N T S

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position, December 31, 2024 and 2023	3
Consolidated Statements for the years ended December 31, 2024 and 2023:	
Activities and Change in Net Assets	4
Functional Expenses	6
Cash Flows	10
Notes to Consolidated Financial Statements	11

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Humane Animal Rescue of Pittsburgh and Subsidiary  
Pittsburgh, Pennsylvania

### **Opinion**

We have audited the accompanying consolidated financial statements of Humane Animal Rescue of Pittsburgh and Subsidiary (HARP) (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2024 and 2023, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of HARP as of December 31, 2024 and 2023, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits 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 Consolidated Financial Statements section of our report. We are required to be independent of HARP and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about HARP's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

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

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated 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 HARP'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about HARP'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.

*Schneider Downs & Co., Inc.*

Pittsburgh, Pennsylvania  
September 16, 2025

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 543,854	\$ 221,506
Accounts receivable	87,921	91,058
Pledges receivable	40,000	40,000
Inventory	93,175	107,851
Prepaid and other assets	125,901	84,322
Investments (Notes 4 and 5)	8,635,540	10,984,272
Interests in charitable trusts (Note 6)	5,594,667	5,215,676
Property and equipment, net (Note 7)	15,617,197	16,242,201
Finance lease right-of-use assets, net (Note 12)	703,723	-
	<u>31,441,978</u>	<u>32,986,886</u>
Total Assets	<u>\$ 31,441,978</u>	<u>\$ 32,986,886</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 501,878	\$ 795,251
Accrued pension liability - nonqualified (Note 11)	9,979	31,785
Other accrued liabilities	744,003	519,573
Line of credit (Note 13)	-	810,000
Notes payable, net (Note 14)	11,968	20,411
Finance lease liabilities (Note 12)	702,311	-
	<u>1,970,139</u>	<u>2,177,020</u>
Total Liabilities	1,970,139	2,177,020
<b>NET ASSETS</b>		
Without donor restrictions		
Undesignated	22,039,107	23,930,747
With donor restrictions (Note 8)		
Perpetual in nature (Note 9)	7,082,441	6,602,399
Purpose restrictions	350,291	276,720
	<u>7,432,732</u>	<u>6,879,119</u>
Total Net Assets	<u>29,471,839</u>	<u>30,809,866</u>
Total Liabilities And Net Assets	<u>\$ 31,441,978</u>	<u>\$ 32,986,886</u>

See notes to consolidated financial statements.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING SUPPORT AND REVENUES			
Holding and adoption fees	\$ 920,718	-	\$ 920,718
Veterinary services	1,640,509	-	1,640,509
Behavior and training	100,150	-	100,150
Merchandise sales	19,372	-	19,372
Contributions and grants	5,087,015	\$ 279,250	5,366,265
Direct mail fundraising	918,011	-	918,011
Special events fundraising:			
Gala	806,350	-	806,350
Marathon	23,761	-	23,761
Other	92,474	-	92,474
Net assets released from restrictions:			
Satisfaction of purpose restrictions	260,008	(260,008)	-
Total Operating Support And Revenues	9,868,368	19,242	9,887,610
EXPENSES			
Programs	10,413,113	-	10,413,113
Fundraising	1,556,027	-	1,556,027
Management and general	710,229	-	710,229
Total Operating Expenses	12,679,369	-	12,679,369
(Decrease) Increase In Net Assets From Operations	(2,811,001)	19,242	(2,791,759)
NON-OPERATING INCOME (EXPENSE)			
Other income, net	41,477	-	41,477
Interest expense	(58,562)	-	(58,562)
Gain on forgiveness of debt for new market tax credits	-	-	-
Net investment return	936,446	155,380	1,091,826
Increase in interests in charitable trusts	-	378,991	378,991
	919,361	534,371	1,453,732
(Decrease) Increase In Net Assets Before Change In Unrecognized Pension Costs	(1,891,640)	553,613	(1,338,027)
CHANGE IN UNRECOGNIZED PENSION COSTS	-	-	-
Total Change In Net Assets	(1,891,640)	553,613	(1,338,027)
NET ASSETS			
Beginning of year	23,930,747	6,879,119	30,809,866
End of year	\$ 22,039,107	\$ 7,432,732	\$ 29,471,839

2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 1,024,363	-	\$ 1,024,363
1,301,877	-	1,301,877
62,294	-	62,294
23,994	-	23,994
5,061,917	\$ 994,030	6,055,947
886,999	-	886,999
862,822	-	862,822
14,129	-	14,129
82,616	-	82,616
125,307	(125,307)	-
9,446,318	868,723	10,315,041
10,537,124	-	10,537,124
1,657,634	-	1,657,634
496,260	-	496,260
12,691,018	-	12,691,018
(3,244,700)	868,723	(2,375,977)
86,858	-	86,858
(43,786)	-	(43,786)
2,372,000	-	2,372,000
1,246,542	190,809	1,437,351
-	434,485	434,485
3,661,614	625,294	4,286,908
416,914	1,494,017	1,910,931
124,497	-	124,497
541,411	1,494,017	2,035,428
23,389,336	5,385,102	28,774,438
<u>\$ 23,930,747</u>	<u>\$ 6,879,119</u>	<u>\$ 30,809,866</u>

See notes to consolidated financial statements.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2024

	Program Services					Total
	Shelter	Clinic	Humane Education	Investigation	Wildlife Center	Program Services
Payroll and related expenses	\$ 4,365,061	\$ 1,752,987	\$ 132,071	\$ 137,729	\$ 856,471	\$ 7,244,319
Supplies	619,273	528,769	13,419	7,541	85,567	1,254,569
Utilities	449,029	1,261	220	147	41,666	492,323
Consultants	19,584	12,742	-	-	10,000	42,326
Direct mail	-	-	-	-	-	-
Gala expense	-	-	-	-	-	-
IT costs	22,398	3,554	144	96	248	26,440
Professional fees	54,985	54,985	4,582	4,582	45,821	164,955
Repairs and maintenance	141,141	1,960	-	-	38,613	181,714
Outside medical services	35,145	120,476	-	-	-	155,621
Insurance	88,937	16,062	4,188	4,947	13,233	127,367
Taxes and licenses	83,715	120	-	2,688	171	86,694
Community outreach	4,792	-	-	-	-	4,792
Facilities	44,319	-	237	1,050	468	46,074
Bank fees	27	-	-	-	-	27
Fundraisers	-	-	-	-	-	-
Transportation and fuel	17,446	14,345	805	150	2,948	35,694
Miscellaneous	989	-	-	-	4,019	5,008
Marathon expense	-	-	-	-	-	-
	<u>5,946,841</u>	<u>2,507,261</u>	<u>155,666</u>	<u>158,930</u>	<u>1,099,225</u>	<u>9,867,923</u>
Depreciation & amortization	<u>328,555</u>	<u>138,523</u>	<u>8,600</u>	<u>8,781</u>	<u>60,731</u>	<u>545,190</u>
	<u>\$ 6,275,396</u>	<u>\$ 2,645,784</u>	<u>\$ 164,266</u>	<u>\$ 167,711</u>	<u>\$ 1,159,956</u>	<u>\$ 10,413,113</u>



<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
\$ 696,720	\$ 55,553	\$ 7,996,592
45,710	3,441	1,303,720
720	29,507	522,550
-	404,355	446,681
266,277	-	266,277
239,280	-	239,280
86,855	99,210	212,505
9,689	9,164	183,808
-	-	181,714
-	-	155,621
10,177	6,347	143,891
100	548	87,342
63,010	-	67,802
1,534	3,418	51,026
49	47,905	47,981
40,834	-	40,834
308	909	36,911
3,483	12,689	21,180
9,813	-	9,813
<u>1,474,559</u>	<u>673,046</u>	<u>12,015,528</u>
<u>81,468</u>	<u>37,183</u>	<u>663,841</u>
<u><u>\$ 1,556,027</u></u>	<u><u>\$ 710,229</u></u>	<u><u>\$ 12,679,369</u></u>

See notes to consolidated financial statements.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services					Total
	Shelter	Clinic	Humane Education	Investigation	Wildlife Center	Program Services
Payroll and related expenses	\$ 4,236,258	\$ 1,722,152	\$ 112,957	\$ 120,945	\$ 713,461	\$ 6,905,773
Supplies	646,928	521,836	13,934	11,728	88,404	1,282,830
Professional fees	152,728	147,058	12,255	12,255	122,548	446,844
Utilities	397,763	1,427	220	393	39,552	439,355
Direct mail	658	-	-	-	-	658
IT costs	79,310	13,889	827	560	2,105	96,691
Gala expense	9,856	-	-	-	-	9,856
Consultants	79,075	91,130	-	-	-	170,205
Pension	189,447	-	-	-	-	189,447
Repairs and maintenance	148,147	1,086	-	-	6,118	155,351
Insurance	28,128	3,470	1,146	3,598	3,518	39,860
Bank fees	8,370	1,849	-	-	-	10,219
Facilities	33,672	1,036	-	416	6,890	42,014
Community outreach	2,330	110	-	-	156	2,596
Miscellaneous	11,684	2,285	143	44	1,749	15,905
Taxes and licenses	28,287	-	-	5,376	139	33,802
Transportation and fuel	11,306	13,838	4,294	-	2,088	31,526
Fundraisers	5,730	-	-	-	-	5,730
Outside medical services	19,123	8,787	-	-	-	27,910
Marathon expense	-	-	-	-	-	-
	<u>6,088,800</u>	<u>2,529,953</u>	<u>145,776</u>	<u>155,315</u>	<u>986,728</u>	<u>9,906,572</u>
Depreciation	<u>387,551</u>	<u>161,031</u>	<u>9,279</u>	<u>9,886</u>	<u>62,805</u>	<u>630,552</u>
	<u>\$ 6,476,351</u>	<u>\$ 2,690,984</u>	<u>\$ 155,055</u>	<u>\$ 165,201</u>	<u>\$ 1,049,533</u>	<u>\$ 10,537,124</u>

<u>Fundraising</u>	<u>Management and General</u>	<u>Total Expenses</u>
\$ 719,938	\$ 21,071	\$ 7,646,782
25,037	4,641	1,312,508
24,519	24,510	495,873
2,822	16,140	458,317
395,359	-	396,017
57,503	138,884	293,078
229,400	-	239,256
1,900	73,552	245,657
-	-	189,447
-	582	155,933
3,043	77,272	120,175
2,664	44,237	57,120
-	25,123	67,137
62,296	-	64,892
7,197	32,412	55,514
-	3,487	37,289
402	3,544	35,472
22,627	1,108	29,465
-	-	27,910
3,733	-	3,733
<u>1,558,440</u>	<u>466,563</u>	<u>11,931,575</u>
<u>99,194</u>	<u>29,697</u>	<u>759,443</u>
<u><u>\$ 1,657,634</u></u>	<u><u>\$ 496,260</u></u>	<u><u>\$ 12,691,018</u></u>

See notes to consolidated financial statements.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,338,027)	\$ 2,035,428
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributed interests in charitable trusts	-	(657,382)
Gain on forgiveness of debt for new market tax credits	-	(2,372,000)
Net realized and unrealized gain on investments	(937,949)	(1,291,433)
Net change in charitable trusts	(378,991)	(434,485)
Depreciation and amortization	663,841	759,443
Net pension benefit cost	-	(119,041)
Changes in assets and liabilities:		
Accounts and pledges receivable	3,137	36,614
Inventory	14,676	(16,692)
Prepaid and other assets	(41,579)	5,364
Accounts payable	(293,373)	511,514
Accrued pension and other liabilities	202,624	107,074
Net Cash Used In Operating Activities	<u>(2,105,641)</u>	<u>(1,435,596)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(7,360)	(209,894)
Purchases of investments	(754,669)	(704,624)
Proceeds from sales of investments	4,041,350	1,351,125
Net Cash Provided By Investing Activities	<u>3,279,321</u>	<u>436,607</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net (repayments) proceeds from borrowings on line of credit	(810,000)	810,000
Net payments on debt	(8,443)	(7,740)
Principal payments on finance lease liabilities	(32,889)	-
Net Cash (Used In) Provided By Financing Activities	<u>(851,332)</u>	<u>802,260</u>
 Net Increase (Decrease) In Cash And Cash Equivalents	 322,348	 (196,729)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>221,506</u>	<u>418,235</u>
End of year	<u><u>\$ 543,854</u></u>	<u><u>\$ 221,506</u></u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u><u>\$ 58,562</u></u>	<u><u>\$ 43,786</u></u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Deferred pension cost	<u><u>-</u></u>	<u><u>\$ (357,415)</u></u>

During 2024, HARP recorded finance right-of-use assets and finance lease liabilities of approximately \$735,000.

See notes to consolidated financial statements.

## HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

#### NOTE 1 - ORGANIZATION

Humane Animal Rescue of Pittsburgh (HARP) is one of Pennsylvania's largest non-profit organizations dedicated to the welfare of animals, pet owners and the community. HARP operates facilities that provide humane care for stray animals and animals turned in by the public. Primary services provided include domestic animal holding, adoption and veterinary care. Low-cost veterinary services, kennel services, animal burial services and education support are also provided to the general public. HARP also operates the HARP Wildlife Center, which treats and later releases injured wildlife and provides educational services.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements follows:

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of HARP and its subsidiary, ARL Forever Home, Inc. (Forever Home), collectively known as HARP (Organization). Forever Home is a supporting organization under the control of HARP established in relation to the new markets tax credit transactions described in Note 14. Intercompany transactions and balances have been eliminated during consolidation.

**Basis of Presentation** - The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The activities of HARP are separated into operating and nonoperating categories in the consolidated statements of activities and change in net assets. The nonoperating category includes activity related to new market tax credits, interest expense, net investment return and changes in interests in charitable trusts.

**Use of Estimates** - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Net Assets** - Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor-imposed restrictions.

**Net Assets With Donor Restrictions** - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. HARP reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contract Revenue and Cost Recognition - Revenue, including holding and adoption fees and veterinary services, is recognized when earned. Contract revenue, primarily from the City of Pittsburgh (Note 10), is recognized when earned under terms of the contract. The Organization generally enters into contracts with customers to provide clinical and veterinary services, as well as adoption services and behavioral training classes. Within these contracts, there can sometimes be multiple services provided. Since the Organization provides such ancillary services simultaneously, these services are not considered to be distinct within the context of the contract and do not represent separate performance obligations.

A performance obligation is satisfied when the Organization transfers control of the underlying good or service to its client. For certain services, the Organization requires upfront payments before the service is completed. For other services, the Organization charges the customer at the time of checkout after providing the service. In either circumstance, the Organization is considered to have transferred a service at a point in time and therefore recognizes revenue at the point in time at which the performance obligation is considered to be satisfied.

Contributions - Contributions are recognized when cash, securities or other assets, an unconditional promise to give or notification of a beneficial interest 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. Conditional contributions for which donor-imposed conditions and restrictions are met within the same reporting period are presented as net assets without donor restrictions. As of December 31, 2024 and 2023, HARP did not have any conditional promises to give outstanding for which cash has been received and the conditions had not yet been met. As of December 31, 2024, HARP has \$200,000 of grants awarded that will be recognized as revenue upon incurring eligible expenses and meeting the conditions set forth by the grants.

Donated Services - Contributed services are measured at fair value and consist primarily of donated professional services. In addition, many individuals volunteer time and perform a variety of tasks that assist HARP, including working independently with the animals, working hands-on with under-socialized pets and helping to successfully place them in adoptive homes, as well as helping to keep the animals' living quarters clean. These services do not meet the criteria for recognition in the consolidated statements of activities and change in net assets.

Cash and Cash Equivalents - HARP considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Certificates of deposit held for investments that are not debt securities are included in investments. HARP maintains its cash in bank deposit accounts, which at times may be in excess of the Federal Deposit Insurance Corporation insurance limit. HARP does not believe that it is exposed to any significant credit risk on cash.

Accounts Receivable - Accounts receivable consist primarily of contract revenue. Management assesses the need for an allowance for credit losses based on a review of outstanding receivables, collection history and a customer's ability to pay by assessing customer creditworthiness and current economic conditions through a reasonable forecast period. There can be no assurance that actual results will not differ from estimates or that consideration of these factors in the future will not result in an increase or decrease to the allowance for credit losses. HARP regularly evaluates the collectability of accounts receivable and maintains reserves for expected credit losses. Estimated credit losses are written off in the period in which they are no longer collectible. No allowance was considered necessary at December 31, 2024 or 2023.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges receivable are due as follows as of December 31:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	\$ 10,000	\$ 10,000
Receivable in one to five years	<u>30,000</u>	<u>30,000</u>
	<u>\$ 40,000</u>	<u>\$ 40,000</u>

Management assesses the net present value of future pledges receivable on an annual basis. No discount was applied for the years ended December 31, 2024 and 2023 because HARP believes that a discount is immaterial to the consolidated financial statements.

Inventory - Inventory is stated at the lower of cost or net realizable value, with cost determined by the first-in, first-out method, and consists principally of gift shop items held for sale and supplies used in the operation of the kennel and veterinary clinic.

Investments - Investments are reported at their fair values. The fair values of money market funds approximate their cost. Investments in common stocks, government/corporate obligations, mutual funds and real assets with readily determinable fair values are stated at fair value, primarily based on quoted market prices.

Investments for which there is no ready market are valued at fair value as estimated by management. Limited partnerships and private real estate investment trust (REIT) that are not readily marketable are carried at net asset value (NAV) as provided by the investment managers and are used as practical expedient, which HARP believes approximates fair value. HARP reviews and evaluates the valuation methods and assumptions used in determining the fair value of these alternative investments. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments could differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis. As of December 31, 2024 and 2023, approximately 3% and 2%, respectively, are considered to be alternative investments.

Interests in charitable trusts are reported at the fair value of HARP's beneficial interest in the underlying trust assets. Management determines and monitors the fair value of the trust interests based on the fair value of underlying trust assets as provided by the trustees.

Net investment return is reported in the consolidated statements of activities and change in net assets and consists of interest and dividend income and realized and unrealized gains and losses, less external investment expenses.

Risks and Uncertainties - HARP's investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with these investments and the level of uncertainty related to change in the value of these investments, it is at least reasonably possible that changes in the near term could materially affect the amounts reported in the consolidated financial statements.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are recorded at cost. Depreciation is provided on the straight-line method based on the estimated useful lives ranging from three years for certain equipment to 40 years for buildings and improvements. Maintenance and repairs not considered to extend the useful lives of assets are charged to expense as incurred. Expenditures for additions and improvements are capitalized. The cost of property sold or retired and the related accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in nonoperating income.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. No impairment charge was recorded during the years ended December 31, 2024 or 2023.

Leases - Leases are recognized under Accounting Standards Codification 842, Leases (Topic 842). HARP determines whether a contract contains a lease at contract inception and classifies it as either finance or operating. A contract contains a lease if there is an identified asset and the HARP has the right to control the asset.

Finance leases are generally those that allow HARP to substantially utilize or pay for the entire asset over its estimated useful life. Finance lease right-of-use assets are amortized in operating expenses on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term, with the interest component for lease liabilities included in interest expense and recognized using the effective interest method over the lease term.

Operating lease right-of-use assets represent HARP's right to use an underlying asset for the lease term, and lease liabilities represent HARP's obligation to make lease payments arising from the lease. There are no operating leases as of December 31, 2024 and 2023.

Topic 842 allows lessees an option to not recognize right-of-use assets and lease liabilities arising from short-term leases. A short-term lease is defined as a lease with an initial term of 12 months or less. HARP elected to not recognize short-term leases as right-of-use assets and lease liabilities on the consolidated statements of financial position. All short-term leases which are not included on HARP's consolidated statements of financial position will be recognized within lease expense. Leases that have an initial term of 12 months or less with an option for renewal will need to be assessed in order to determine if the lease qualifies for the short-term lease exception. If the option is reasonably certain to be exercised, the lease does not qualify as a short-term lease.

Finance and operating lease right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. HARP's lease liabilities are recognized based on the present value of the remaining fixed lease payments, over the lease term, using a discount rate. For the purpose of lease liability measurement, HARP considers only payments that are fixed and determinable at the time of commencement. Some leasing arrangements require variable payments that are dependent upon usage or output, or may vary for other reasons, such as insurance or tax payments. Any variable payments are expensed as incurred. HARP elected the practical expedient permitted under Topic 842 to use the risk-free rate in determining the present value of the lease payments, unless the implicit rate was readily available. HARP's lease terms may include options to extend or terminate the lease and are recognized when it is reasonably certain that HARP will exercise that option. HARP has lease agreements with lease and non-lease components, which are accounted for as a single lease component for all classes of leased assets for which HARP is the lessee. Lease assets are tested for impairment in the same manner as long-lived assets used in operations. See Note 12 for additional information.



## HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Allocation of Functional Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and change in net assets. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. The consolidated 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. Expenses that are allocated include occupancy, depreciation and amortization, which are allocated on a square-footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance and other, which are allocated on the basis of estimates of time and effort.

**Tax-Exempt Status** - HARP and Forever Home have been classified as tax-exempt nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code; however, certain activities of the Organization are deemed to be taxable. These activities generated losses in 2024 and 2023; accordingly, no provision for federal income tax is required.

At December 31, 2024 and 2023, HARP has federal net operating loss carryforwards of approximately \$4,878,000 available to offset any future taxable income through 2037, and \$6,000 available to offset any future taxable income indefinitely. A valuation allowance has been recorded for the full amount of the benefit of net operating losses because of uncertainty about generating future taxable income.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification on Income Taxes clarifies recognition, measurement, presentation and disclosure relating to uncertain tax positions. HARP evaluates uncertain tax positions for recognition by determining whether evidence indicates it is more likely than not that a position will be sustained if examined by taxing authorities. As of December 31, 2024 and 2023, HARP is unaware of any uncertain tax positions. HARP and Forever Home are no longer subject to Internal Revenue Service examinations of their respective tax returns for years before 2021.

**Subsequent Events** - Subsequent events are events or transactions that occur after the financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through September 16, 2025, the date on which the consolidated financial statements were available to be issued.

#### NOTE 3 - AVAILABILITY AND LIQUIDITY

HARP's cash flows have seasonal variations during the year attributable to the timing of contributions, events and animal population. HARP receives a significant amount of contributions restricted by donors to be used in accordance with the associated time or purpose restriction.

HARP considers contributions without donor restrictions and contributions with donor restrictions due to time payable in the next year to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, fundraising expenses and program expenses to be paid in the following year. HARP manages its cash available to meet general expenditures by forecasting future needs and activities and proactively anticipates future funds needed. HARP holds short-term liquid investments in mutual funds to assist in maintaining sufficient funds to provide reasonable assurance that obligations will continue to be met and ensure the stability of HARP. HARP holds a line of credit totaling \$1,500,000, of which the entire amount was available as of December 31, 2024, respectively, to draw upon in the event of a liquidity need.

# HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

### NOTE 3 - AVAILABILITY AND LIQUIDITY (Continued)

Financial assets available for general expenditures within one year of the consolidated statements of financial position date are comprised of the following at December 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 543,854	\$ 221,506
Accounts receivable	87,921	91,058
Pledges receivable	10,000	10,000
Investments	7,127,832	9,592,664
Estimated distributions from beneficial interests	<u>340,000</u>	<u>669,000</u>
Total financial assets available within one year	<u>\$ 8,109,607</u>	<u>\$ 10,584,228</u>

### NOTE 4 - INVESTMENTS

Investments consist of the following at December 31:

	<u>2024</u>		<u>2023</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market funds/cash	\$ 51,946	\$ 52,039	\$ 77,062	\$ 77,062
Fixed-income security funds	2,236,735	2,175,383	2,915,263	2,854,974
Mutual funds	4,459,834	5,830,941	6,746,368	7,723,584
Limited partnership	302,500	341,332	137,500	151,013
Private REIT	<u>240,119</u>	<u>235,845</u>	<u>178,161</u>	<u>177,639</u>
	<u>\$ 7,291,134</u>	<u>\$ 8,635,540</u>	<u>\$ 10,054,354</u>	<u>\$ 10,984,272</u>

### NOTE 5 - FAIR VALUE MEASUREMENT

Investments measured and reported at fair value are classified and disclosed in one of the following categories based on the extent of market price observability:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

The determination of where assets and liabilities fall within this hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The methods for valuing HARP's investments, by significant category, are as follows:

Money market/cash - Valued at fair values that are equivalent to cash and are, therefore, readily and regularly available to HARP.

Fixed-income security funds - Valued at the inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Mutual funds - Valued at closing price as reported on the active market on which the individual fund is traded.

Limited partnership - The valuation of HARP's investment in a limited partnership requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of the investment. This investment is valued initially at the transaction value and subsequently adjusted to reflect expected exit values at the measurement date by utilizing assumptions that market participants would normally use to estimate a fair market value. NAV is used a practical expedient to estimate the fair value of HARP's interest. A capital contribution of \$165,000 and \$55,000 was made during 2024 and 2023, respectively. The remaining capital commitment is \$247,500 as of December 31, 2024. This investment cannot be withdrawn prior to the lock-up period (as determined by the capital commitment). After expiration of the lock-up, on an annual basis, HARP can withdraw funds by providing at least 90 days' notice, subject to other Fund-level discretion.

Private REIT - HARP's investment in a private real estate investment trust (Private REIT) is valued at NAV per unit based on the investment fund's manager assessment of total assets of the Private REIT less liabilities. NAV is used by HARP as a practical expedient to estimate the fair value of HARP's interest. A capital contribution of \$42,350 was made during 2024. The remaining capital commitment is \$333,025 as of December 31, 2024. This investment cannot be liquidated prior to the lock-up period (three years from applicable closing date). After expiration of the lock-up, on a quarterly basis, HARP can request to have some or all of their shares repurchased based upon NAV with 90 days' notice, subject to other Fund-level fees and discretion.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 5 - FAIR VALUE MEASUREMENT (Continued)

The valuation of HARP's investments by the above fair value hierarchy levels as of December 31 are as follows:

	2024			
	Level 1	Level 2	Level 3	Total
Money market funds/cash	\$ 52,039	-	-	\$ 52,039
Fixed-income security funds	2,175,383	-	-	2,175,383
Mutual funds	5,830,941	-	-	5,830,941
	8,058,363	-	-	8,058,363
Interests in charitable trusts	-	-	\$ 5,594,667	5,594,667
Total assets in the fair value hierarchy	\$ 8,058,363	-	\$ 5,594,667	13,653,030
Investments measured at net asset value (a)				577,177
				\$ 14,230,207

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

	2023			
	Level 1	Level 2	Level 3	Total
Money market funds/cash	\$ 77,062	-	-	\$ 77,062
Fixed-income security funds	2,854,974	-	-	2,854,974
Mutual funds	7,723,584	-	-	7,723,584
	10,655,620	-	-	10,655,620
Interests in charitable trusts	-	-	\$ 5,215,676	5,215,676
Total assets in the fair value hierarchy	\$ 10,655,620	-	\$ 5,215,676	15,871,296
Investments measured at net asset value (a)				328,652
				\$ 16,199,948

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 6 - INTERESTS IN CHARITABLE TRUSTS

HARP is a beneficiary of perpetual charitable trusts. Under the trust agreements, HARP has the irrevocable right to receive its share of the income earned on trust assets in perpetuity, but has no right or control over the corpus of the trusts. The beneficial interests in the trusts were recorded originally as net assets with donor restrictions at the fair market value of the assets in the trusts. Changes in fair value of the trust assets are recorded in net assets with donor restrictions based on HARP's beneficial interest in the trusts' underlying assets. Interest and dividend income is available for HARP's use and is reflected as an increase in net assets without donor restrictions. Distributions received from interests in perpetual charitable trusts were approximately \$340,000 and \$376,000 for the years ended December 31, 2024 and 2023, respectively.

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land and improvements	\$ 1,216,578	\$ 1,216,578
Buildings	19,947,406	19,940,046
Automobiles and equipment	<u>3,283,289</u>	<u>3,283,289</u>
	24,447,273	24,439,913
Less - Accumulated depreciation	<u>8,830,076</u>	<u>8,197,712</u>
	<u>\$ 15,617,197</u>	<u>\$ 16,242,201</u>

Depreciation expense recorded on property and equipment was approximately \$632,000 and \$759,000 in 2024 and 2023, respectively.

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
Net Assets With Donor Restrictions		
Subject to expenditure for specified purpose:		
Humane Health Coalition	\$ 302,784	\$ 266,720
Barker Wildlife	25,000	10,000
Community Outreach	<u>22,507</u>	<u>-</u>
	<u>\$ 350,291</u>	<u>\$ 276,720</u>

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	<u>2024</u>	<u>2023</u>
Perpetual in nature:		
Interests in charitable trusts	5,594,667	5,215,676
Verbofsky fund	841,368	778,007
Joan McKay Young fund	646,406	608,716
	<u>7,082,441</u>	<u>6,602,399</u>
	<u>\$ 7,432,732</u>	<u>\$ 6,879,119</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Humane Health Coalition	\$ 191,436	\$ 59,936
Community Outreach	14,243	-
Distributions (proceeds are not restricted by donors):		
Verbofsky fund	23,893	19,815
Joan McKay Young fund	30,436	45,556
	<u>\$ 260,008</u>	<u>\$ 125,307</u>

NOTE 9 - ENDOWMENT FUNDS

The endowment funds consist of funds with donor restrictions. Net assets associated with endowment funds are classified based on the existence or absence of donor-imposed restrictions as required by U.S. GAAP.

Changes in endowment fund net assets with donor restrictions perpetual in nature are as follows:

Balance, December 31, 2022	\$ 5,385,102
Additions	657,382
Distributions	(65,371)
Net appreciation	<u>625,286</u>
Balance, December 31, 2023	6,602,399
Distributions	(54,329)
Net appreciation	<u>534,371</u>
Balance, December 31, 2024	<u>\$ 7,082,441</u>

## HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

#### NOTE 9 - ENDOWMENT FUNDS (Continued)

To satisfy long-term rate-of-return objectives, HARP relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). HARP established asset allocation percentages for its investment portfolio. Target asset allocations are based on the investment objective, time horizon and risk tolerance established for the portfolio.

HARP has interpreted Pennsylvania law as requiring preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds unless there are explicit donor stipulations to the contrary.

Based on this interpretation, HARP classifies as net assets with donor restrictions the original value of the gift, the original value of any subsequent gifts to the endowment, and accumulations made in accordance with the direction of the donor gift instrument. The remaining portion of the donor-restricted endowment funds is classified as net assets without donor restrictions or net assets with donor restrictions as required by the donor. A fund is considered to be under water if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity. Management believes that there are no underwater endowment funds as of December 31, 2024 or 2023.

The Verbofsky agreement stipulated that all realized investment returns be utilized for animal care and therefore those funds are classified as revenue without donor restrictions.

The Joan McKay Young Charitable Remainder Trust stipulates that 5% of the fund, as determined on December 31 of the prior year, be utilized to provide medical care and treatment to low-income pet owners.

#### NOTE 10 - CONTRACTUAL AGREEMENT

The City of Pittsburgh delivers stray animals to HARP under a contractual arrangement through December 31, 2024 whereby a fee is received for each animal. Revenues related to this contract were approximately \$343,000 and \$360,000 in 2024 and 2023, respectively, which are included in holding and adoption fees in the consolidated statements of activities and change in net assets. HARP had amounts receivable related to the contract of approximately \$44,000 at December 31, 2024 and 2023. Subsequent to year-end, the City of Pittsburgh contract was renewed through December 31, 2027.

#### NOTE 11 - RETIREMENT PLANS

##### Qualified Defined Benefit Plan

The qualified defined benefit pension plan (Pension Plan) covers substantially all former WPHS employees with five years of service. Benefits are based on years of service and an employee's compensation during the last five years of employment. HARP uses a measurement date of January 1 for the plan. At December 31, 2003, the plan benefit accruals were frozen, and all participants in the plan became fully vested.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 11 - RETIREMENT PLANS (Continued)

In October 2021, the Organization elected to terminate the Pension Plan effective as of December 31, 2021. The board of directors of the Organization approved the termination and plan transfers on the recommendation of the finance committee. On May 25, 2023, the IRS provided favorable determination with regard to the termination of the Pension Plan. All participants were paid out via lump-sum distribution or an annuity purchase; therefore, as of December 31, 2023, HARP has no further benefit obligation.

Reconciliation of changes in projected benefit obligation and changes in plan assets for the year ended December 31, 2023 is as follows:

	<u>2023</u>
Accumulated benefit obligation as of end of year	<u>-</u>
Change in benefit obligation:	
Projected benefit obligation at beginning of year	\$ 445,811
Interest cost	22,850
Actuarial gain	(28,018)
Benefits paid	(4,657)
Settlements	(331,901)
Annuity purchase	<u>(104,085)</u>
Projected benefit obligation at end of year	<u>-</u>
Change in plan assets:	<u>2023</u>
Fair value of plan assets at beginning of year	\$ 326,770
Employer contributions	115,000
Actual return on plan assets (net of expenses)	(1,127)
Benefits paid	(4,657)
Settlements	<u>(435,986)</u>
Fair value of plan assets at end of year	<u>-</u>
Funded status as of end of year	<u>-</u>



HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 11 - RETIREMENT PLANS (Continued)

Net periodic benefit cost for the year ended December 31, 2023 included the following components:

	<u>2023</u>
Interest cost on projected benefit obligation	\$ 22,850
Prior services cost amortization	45,406
Prior losses	-
Expected return	(5,533)
One-time charge	11,870
Prior service cost final recognition	45,863
	<u>\$ 120,456</u>

The weighted-average assumptions as of December 31, 2023 is as follows:

	<u>2023</u>
Weighted-average assumptions as of December 31:	
For net periodic pension cost:	
Discount rate	5.25 %
Expected return on assets	1.75
For benefit obligation:	
Discount rate	N/A %
Expected long-term rate of return on plan assets	N/A
Rate of compensation increase	N/A

All assets were paid out as of December 31, 2023 through settlements made with participants or an annuity purchase with an insurance company.

Nonqualified Defined Benefit Plan

HARP also has a nonqualified pension plan whereby it makes monthly benefit payments to retired former WPHS employees based on years of service and prior earnings. HARP has agreed to make annual payments of \$10,956 to the retired employees. U.S. GAAP requires HARP to record a liability for these obligations to equal the present value of the benefits to be paid. The present value of the future benefit for these retirees was approximately \$10,000 and \$32,000 as of December 31, 2024 and 2023, respectively.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 11 - RETIREMENT PLANS (Continued)

401(k) Plans

HARP has two 401(k) retirement plans, the Humane Animal Rescue of Pittsburgh Retirement Plan and the Humane Animal Rescue of Pittsburgh 401(k) Profit Sharing Plan, covering substantially all employees under which eligible employees may contribute a portion of their eligible earnings to the plan, not to exceed \$8,000 annually. All employees are eligible to participate in the plans upon reaching 18 years of age and 60 days of employment. HARP is required to make matching contributions equal to the amount of each participant's elective deferrals up to 3% of compensation. Contributions by HARP totaled approximately \$122,000 and \$90,000 for 2024 and 2023, respectively.

NOTE 12 - LEASES

The assets currently underlying HARP's leases primarily include security equipment for each location, which are classified as finance leases. Neither of the HARP's leases contain restrictions or covenants from incurring other financial obligations.

The consolidated statements of financial position components of the leases as of December 31, are as follows:

	<u>2024</u>
Finance lease right-of-use assets	\$ 735,200
Accumulated amortization	<u>(31,477)</u>
Finance lease right-of-use assets, net	\$ <u>703,723</u>
Finance lease liabilities	\$ <u>702,311</u>

The components of lease expense within the consolidated statements of activities and changes in net assets for the year ended December 31, were as follows:

	<u>2024</u>
Finance lease cost	
Amortization of finance leases	\$ 31,477
Interest on lease liabilities	<u>8,111</u>
Total finance lease cost	39,588
Short-term lease cost	<u>58,257</u>
Total lease cost	\$ <u>97,845</u>

For the year ended December 31, 2024, the weighted-average remaining lease term and discount rate was 5.7 years and 3.80%, respectively.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2024 AND 2023

NOTE 12 - LEASES (Continued)

As of December 31, 2024, estimated annual maturities of finance lease liabilities for the year ending December 31, 2025 and thereafter were as follows:

Year Ending December 31	Operating Leases
2025	\$ 137,000
2026	137,000
2027	137,000
2028	137,000
2029	137,000
Thereafter	96,000
Total minimum lease payments	781,000
Less: amounts representing interest	(79,000)
Present value of total lease liabilities	\$ 702,000

NOTE 13 - LINE OF CREDIT

HARP has a \$1,500,000 operating line of credit that bears interest at Prime (7.50% as of December 31, 2024) and is due on demand. The operating line of credit is collateralized by all of HARP's inventory. HARP had \$810,000 in borrowings outstanding against the operating line of credit as of December 31, 2023. There was no amount outstanding at December 31, 2024.

NOTE 14 - NOTES PAYABLE/NOTE RECEIVABLE-NEW MARKETS TAX CREDIT TRANSACTIONS

On March 31, 2016, HARP entered into a financial arrangement to provide additional funding for the construction of a new facility through the use of the New Markets Tax Credit (NMTC) program.

As part of the NMTC transactions, HARP entered into an option agreement with Chase Community Equity, LLC (CCE) a participant in the transaction (as discussed below). Under terms of the option agreement, CCE sold its ownership interest obtained in the agreement to HARP for \$1,000 during the three-month put period that commenced on March 31, 2023, the last day of the tax credit investment period. On April 12, 2023, HARP executed the option agreement with CCE, effectively forgiving the note receivable and the notes payable that were entered into as part of the NMTC transactions. Exercise of this option effectively extinguished HARP's note receivable and notes payable as of December 31, 2023. HARP recognized a gain on the forgiveness of debt of \$2,372,000 in 2023, which is the amount approximating the difference in the book value of the note receivable and the notes payable at the time the option agreement was entered into.

During 2020, HARP financed property and equipment additions in the form of a five-year term note, of which approximately \$12,000 and \$20,000 was outstanding and included in notes payable at December 31, 2024 and 2023, respectively. The term note bears interest at a fixed rate of 3.89% and matures on November 12, 2025, and is required to be repaid in equal monthly installments of \$854.

HUMANE ANIMAL RESCUE OF PITTSBURGH AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2024 AND 2023

NOTE 15 - COMMITMENTS AND CONTINGENCIES

HARP is, from time to time, subject to claims and suits arising in the ordinary course of its business. Management believes that at this time the ultimate resolution of these matters, if any, will not have a material impact on the consolidated financial position, results of activities or cash flows of HARP.