

Humane Heroes, Inc.
Financial Statements and
Independent Auditors' Report
December 31, 2024 and 2023

Humane Heroes, Inc.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Humane Heroes, Inc.

Opinion

We have audited the accompanying financial statements of Humane Heroes, Inc. (a Texas nonprofit corporation), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Heroes, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 Humane Heroes, 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 Heroes, 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 Heroes, 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.

A handwritten signature in black ink that reads "DUNAGAN JACK LLP". The signature is stylized with a large, sweeping initial "D" and "J".

Austin, Texas
August 15, 2025

FINANCIAL STATEMENTS

Humane Heroes, Inc.

STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and cash equivalents	\$ 1,461,809	\$ 644,190
Investments	280,239	1,016,255
Accounts receivable	17,939	48,169
Grants and contributions receivable	134,858	307,858
Note receivable	371,920	-
Other assets	38,825	44,875
Property and equipment	<u>7,683,807</u>	<u>3,382,562</u>
Total assets	<u>\$ 9,989,397</u>	<u>\$ 5,443,909</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 644,152	\$ 768,275
Note payable	<u>4,960,568</u>	<u>910,711</u>
Total liabilities	<u>5,604,720</u>	<u>1,678,986</u>
Net assets		
Without donor restrictions	4,249,819	3,457,065
With donor restrictions	<u>134,858</u>	<u>307,858</u>
Total net assets	<u>4,384,677</u>	<u>3,764,923</u>
Total liabilities and net assets	<u>\$ 9,989,397</u>	<u>\$ 5,443,909</u>

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

Humane Heroes, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Medical services and vaccinations	\$ 1,110,281	\$ -	\$ 1,110,281
Grants and contributions	788,411	110,000	898,411
Gain on sale of property	437,203	-	437,203
Adoption fees	307,380	-	307,380
Return on investments	69,971	-	69,971
Other revenues	39,309	-	39,309
Net assets released from restrictions	<u>283,000</u>	<u>(283,000)</u>	<u>-</u>
Total revenues	<u>3,035,555</u>	<u>(173,000)</u>	<u>2,862,555</u>
Expenses			
Program services	1,532,423	-	1,532,423
General and administrative	516,667	-	516,667
Fundraising	<u>193,711</u>	<u>-</u>	<u>193,711</u>
Total expenses	<u>2,242,801</u>	<u>-</u>	<u>2,242,801</u>
Change in net assets	792,754	(173,000)	619,754
Net assets at beginning of year	<u>3,457,065</u>	<u>307,858</u>	<u>3,764,923</u>
Net assets at end of year	<u>\$ 4,249,819</u>	<u>\$ 134,858</u>	<u>\$ 4,384,677</u>

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

Humane Heroes, Inc.

STATEMENT OF ACTIVITIES

For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Medical services and vaccinations	\$ 1,020,873	\$ -	\$ 1,020,873
Grants and contributions	781,291	130,000	911,291
Adoption fees	269,748	-	269,748
Return on investments	46,863	-	46,863
Other revenues	36,600	-	36,600
Net assets released from restrictions	891,486	(891,486)	-
Total revenues	<u>3,046,861</u>	<u>(761,486)</u>	<u>2,285,375</u>
Expenses			
Program services	1,568,621	-	1,568,621
General and administrative	473,645	-	473,645
Fundraising	235,448	-	235,448
Total expenses	<u>2,277,714</u>	<u>-</u>	<u>2,277,714</u>
Change in net assets	769,147	(761,486)	7,661
Net assets at beginning of year	<u>2,687,918</u>	<u>1,069,344</u>	<u>3,757,262</u>
Net assets at end of year	<u>\$ 3,457,065</u>	<u>\$ 307,858</u>	<u>\$ 3,764,923</u>

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

Humane Heroes, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2024

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,036,465	\$ 316,356	\$ 144,880	\$ 1,497,701
Medical supplies	181,676	-	-	181,676
Depreciation	66,464	20,287	9,290	96,041
Vaccines and medications	81,283	-	-	81,283
Occupancy	57,092	13,889	9,553	80,534
Bank and credit card fees	-	48,705	-	48,705
Insurance	-	40,167	-	40,167
Supplies	37,153	992	1,119	39,264
Interest	15,475	4,723	2,163	22,361
IT expenses	3,209	5,708	9,583	18,500
Telecommunications	7,243	9,405	1,576	18,224
Professional fees	10	14,028	27	14,065
Medical services	12,467	-	-	12,467
Transportation	9,858	1,950	46	11,854
Pet food	11,408	-	-	11,408
Other expenses	<u>12,620</u>	<u>40,457</u>	<u>15,474</u>	<u>68,551</u>
Total expenses	<u>\$ 1,532,423</u>	<u>\$ 516,667</u>	<u>\$ 193,711</u>	<u>\$ 2,242,801</u>

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

Humane Heroes, Inc.

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2023

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 1,094,444	\$ 291,043	\$ 187,475	\$ 1,572,962
Medical supplies	183,253	-	-	183,253
Depreciation	50,319	13,381	8,620	72,320
Vaccines and medications	68,601	-	-	68,601
Occupancy	46,593	8,247	10,438	65,278
Bank and credit card fees	-	45,726	-	45,726
Insurance	-	42,327	-	42,327
Supplies	35,322	728	611	36,661
Medical services	20,923	-	-	20,923
Telecommunications	7,928	9,680	2,378	19,986
Professional fees	-	14,065	1,033	15,098
IT expenses	3,083	3,913	6,986	13,982
Transportation	11,167	2,676	-	13,843
Pet food	12,462	-	-	12,462
Interest	8,260	2,196	1,415	11,871
Other expenses	26,266	39,663	16,492	82,421
Total expenses	<u>\$ 1,568,621</u>	<u>\$ 473,645</u>	<u>\$ 235,448</u>	<u>\$ 2,277,714</u>

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

Humane Heroes, Inc.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 619,754	\$ 7,661
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Realized and unrealized (gains) losses on investments	(5,512)	(3,816)
Donated securities	(16,142)	(3,109)
Gain on sale of property	(437,203)	-
Depreciation	96,041	72,320
Decrease (increase) in accounts receivable	30,230	(11,769)
Decrease in grants and contributions receivable	173,000	314,000
Decrease (increase) in other assets	6,050	(44,875)
(Decrease) increase in accounts payable and accrued expenses	<u>(124,123)</u>	<u>698,082</u>
Net cash provided by operating activities	<u>342,095</u>	<u>1,028,494</u>
Cash flows from investing activities:		
Purchases of investments	(252,788)	(1,000,000)
Proceeds from sales and maturities of investments	1,010,458	-
Principal payments received on note receivable	3,080	-
Purchases of property and equipment	(4,594,847)	(1,846,813)
Proceeds from sale of property	<u>259,764</u>	<u>-</u>
Net cash used by investing activities	<u>(3,574,333)</u>	<u>(2,846,813)</u>
Cash flows from financing activities:		
Proceeds from note payable	4,089,289	910,711
Principal payments on note payable	<u>(39,432)</u>	<u>-</u>
Net cash provided by financing activities	<u>4,049,857</u>	<u>910,711</u>
Net increase (decrease) in cash and cash equivalents	817,619	(907,608)
Cash and cash equivalents at beginning of year	<u>644,190</u>	<u>1,551,798</u>
Cash and cash equivalents at end of year	<u>\$ 1,461,809</u>	<u>\$ 644,190</u>
Supplemental disclosures:		
Note receivable received from sale of property	<u>\$ 375,000</u>	<u>\$ -</u>
Interest paid, net of amounts capitalized	<u>\$ 22,361</u>	<u>\$ 11,871</u>

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

NOTES TO FINANCIAL STATEMENTS

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization and Nature of Activities

Humane Heroes, Inc. (Organization) is a Texas nonprofit corporation. The Organization's mission is to save the lives of adoptable dogs and cats from shelters throughout Texas that are often forced to euthanize for space, to decrease overpopulation of animals through low-cost veterinary services, and to enhance the lives of pets through educational resources for the community. The Organization operates a dog and cat adoption center in Leander, Texas (Greater Austin Metropolitan area). Funding for the Organization is primarily received through donations, pet adoption fees, and modest fees for medical services.

2. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

3. Basis of Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

4. Cash Equivalents

The Organization considers short-term, highly-liquid investments with maturities of three months or less on the date of acquisition to be cash equivalents.

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Investments

Investments are stated at their readily determinable fair values, except for certificates of deposit that are stated at cost. Unrealized gains and losses are included in the change in net assets.

6. Property and Equipment

Acquisitions of property and equipment are capitalized at cost, if purchased, or fair market value on the date of donation, if received as a gift. Depreciation is calculated using the straight-line method over the assets' estimated useful lives, generally five to ten years for furniture and equipment and fifteen to thirty-nine years for buildings and improvements. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expiration of restrictions related to its capital campaign as related construction costs and expenses are incurred. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

7. Revenue Recognition

Grants and contributions received are recorded as increases in net assets without donor restrictions or as increases in net assets with donor restrictions, depending on the existence and/or nature of any donor restrictions. As purpose or time restrictions are satisfied, net assets are reclassified to net assets without donor restrictions. The Organization's policy is to report support with restrictions satisfied in the year of receipt as grants and contributions without restrictions.

Medical services and vaccinations revenues are recognized in the periods services are provided. Adoption fees are recognized upon placement with an adopting family, at which time payment is received.

8. Functional Expenses

Expenses are categorized by function as either (1) program services, (2) general and administrative, or (3) fundraising expenses. Expenses that are specifically identifiable to a function are allocated entirely to that function. Expenses that are not specifically identifiable to a function are allocated based upon management's estimate of time and resources devoted to each function.

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE A - ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Estimates

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

NOTE B - TAX-EXEMPT STATUS

The Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). The Organization is classified as a public charity described in Section 170(b)(1)(A)(vi). No provision for federal income tax is reported in these financial statements.

NOTE C - INVESTMENTS

Investments comprised the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Certificates of deposit	\$ 252,788	\$ 1,000,000
Equities	<u>27,451</u>	<u>16,255</u>
	<u>\$ 280,239</u>	<u>\$ 1,016,255</u>

NOTE D - GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable comprised the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Payment due in less than one year	\$ 134,858	\$ 307,858
Payment due in one to five years	-	-
Payment due in more than five years	<u>-</u>	<u>-</u>
Contributions receivable, gross	134,858	307,858
Less allowance for uncollectible amounts	-	-
Less discount to present value	<u>-</u>	<u>-</u>
Contributions receivable, net	<u>\$ 134,858</u>	<u>\$ 307,858</u>

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment comprised the following at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Buildings and improvements	\$ 7,885,276	\$ 975,511
Vehicles, furniture and equipment	507,116	508,459
Land	81,188	146,225
Construction in progress	<u>-</u>	<u>2,509,481</u>
	8,473,580	4,139,676
Less accumulated depreciation	<u>(789,773)</u>	<u>(757,114)</u>
	<u>\$ 7,683,807</u>	<u>\$ 3,382,562</u>

Depreciation expense totaled \$96,041 and \$72,320 for the years ended December 31, 2024 and 2023, respectively.

NOTE F - NOTES PAYABLE

In May 2023, the Organization executed construction loan agreements with a bank to finance facilities expansion at its Leander location. Financing includes a \$5,000,000 construction loan with a fixed rate of 5.73%. Interest only payments were due monthly, beginning June 12, 2023, for 12 months. Payments of \$31,654 are due monthly, beginning June 12, 2024, until the maturity date of May 12, 2031, when all unpaid principal and interest is due. This loan is secured by the Organization's real property in Leander, Texas. At December 31, 2024 and 2023, the outstanding principal balances related to this construction loan totaled \$4,960,568 and \$910,711, respectively.

Financing also included a line of credit with a limit of approximately \$1,000,000. The line of credit had a fixed interest rate of 5.73%. Interest only payments were due monthly, beginning June 12, 2023, until the maturity date of May 12, 2024, when all unpaid principal and interest was due. The line of credit was secured by the Organization's real property in Leander, Texas. No draws were taken on this line of credit and it was closed during 2024.

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE F - NOTES PAYABLE - CONTINUED

At December 31, 2024, principal payments on outstanding balances were due as follows:

Years ending December 31,	Principal Payments
2025	\$ 98,153
2026	103,927
2027	110,041
2028	116,515
2029	123,369
thereafter	<u>4,408,563</u>
	<u>\$ 4,960,568</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets were donor restricted for the following purposes/periods at December 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Subsequent year sponsorships	\$ 60,000	\$ 60,000
For future periods	50,000	70,000
Just Love capital campaign	<u>24,858</u>	<u>177,858</u>
	<u>\$ 134,858</u>	<u>\$ 307,858</u>

NOTE H - CONCENTRATIONS

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the FDIC up to the maximum deposit insurance amount (\$250,000). The Organization's uninsured cash and certificate of deposit balances totaled approximately \$1,453,000 and \$1,369,000 at December 31, 2024 and 2023, respectively.

Humane Heroes, Inc.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE I - RETIREMENT PLAN

In 2019, the Organization established the defined contribution Texas Humane Heroes 401(k) Plan for the benefit of its employees. The Organization matches participant contributions up to 4% of eligible compensation. Employees are fully vested in employer contributions after 3 years of service. Retirement expense totaled \$32,920 and \$23,705 for the years ended December 31, 2024 and 2023, respectively

NOTE J - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The following reflects the Organization’s financial assets, reduced by amounts not available for general use within one year because of donor-imposed restrictions, as of December 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 1,461,809	\$ 644,190
Investments	280,239	1,016,255
Accounts receivable	17,939	48,169
Grants and contributions receivable (due < one year)	134,858	307,858
Note receivable (due < one year)	9,649	-
Total financial assets	1,904,494	2,016,472
Less donor-imposed restrictions:	(84,858)	(237,858)
Financial assets available to meet cash needs for general expenditures within one year	\$ 1,819,636	\$ 1,778,614

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 15, 2025, the date the financial statements were available to be issued.