

HUMANE SOCIETY  
OF SAN ANTONIO  
dba  
SAN ANTONIO  
HUMANE SOCIETY

Audited Financial Statements

December 31, 2024



**ADKF**

CERTIFIED PUBLIC ACCOUNTANTS

**SAN ANTONIO HUMANE SOCIETY**  
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**December 31, 2024**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
San Antonio Humane Society  
San Antonio, Texas

### Opinion

We have audited the accompanying financial statements of Humane Society of San Antonio, dba San Antonio Humane Society (the Society), 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 San Antonio Humane Society as of December 31, 2024 and 2023, and the results of its activities, functional expenses, 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 Financial Statements section of our report. We are required to be independent of the Society 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 the Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **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 the Society'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 the Society'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.

ADKF, PC

ADKF, P.C.  
San Antonio, Texas  
April 10, 2025

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>ASSETS</b>		
Operating Assets:		
Cash and cash equivalents	\$ 3,143,325	\$ 2,449,164
Pledges receivable, net	16,693	21,943
Other receivables	9,289	40,993
Inventory	29,434	36,376
Prepaid expenses and other current assets	75,269	64,780
Property and equipment, net	11,524,421	12,240,174
Land held for sale	10,250	10,250
Total operating assets	<u>14,808,681</u>	<u>14,863,680</u>
Investments, Trusts and Charitable Gifts:		
Investments:		
Unrestricted for general operations	7,470,032	6,628,498
Board designated endowment	1,138,477	635,653
Donor restricted endowment	1,172,889	1,088,839
Assets held for charitable gift annuities	4,446	9,026
Beneficial interests in trusts	2	3
Mineral interests	11	11
Total investments, trusts and charitable gifts	<u>9,785,857</u>	<u>8,362,030</u>
Other Assets:		
Operating lease right-of-use assets	<u>95,887</u>	<u>133,804</u>
Total other assets	<u>95,887</u>	<u>133,804</u>
<b>Total Assets</b>	<u><u>\$ 24,690,425</u></u>	<u><u>\$ 23,359,514</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 221,674	\$ 223,042
Deferred revenue	74,749	47,573
Liabilities under charitable gift annuities	27,920	29,760
Operating lease liabilities, current portion	<u>27,396</u>	<u>43,026</u>
Total current liabilities	351,739	343,401
Long-term Liabilities:		
Operating lease liabilities, non-current portion	<u>68,491</u>	<u>90,778</u>
Total liabilities	420,230	434,179
Net Assets:		
Without donor restrictions	23,080,611	21,822,172
With donor restrictions	<u>1,189,584</u>	<u>1,103,163</u>
Total net assets	<u>24,270,195</u>	<u>22,925,335</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 24,690,425</u></u>	<u><u>\$ 23,359,514</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Activities**  
**Years Ended December 31, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
<b>Support and Revenues</b>						
Program fees, net of direct costs	\$ 1,641,535	\$ -	\$ 1,641,535	\$ 1,631,041	\$ -	\$ 1,631,041
Bequests/special donations	2,755,509	-	2,755,509	1,108,579	-	1,108,579
Contributions and grants	2,311,077	-	2,311,077	2,738,468	-	2,738,468
In-kind donations	-	-	-	8,849	-	8,849
Other income	101,839	-	101,839	50,110	-	50,110
Special events, net of expenses of \$46,360 and \$61,888	159,391	-	159,391	131,273	-	131,273
Total support and revenues	6,969,351	-	6,969,351	5,668,320	-	5,668,320
<b>Expenses</b>						
Program	5,354,663	-	5,354,663	5,248,240	-	5,248,240
General and administrative	808,616	-	808,616	849,019	-	849,019
Fundraising	507,351	-	507,351	434,624	-	434,624
Total expenses	6,670,630	-	6,670,630	6,531,883	-	6,531,883
<b>Operating (Loss) Income</b>	298,721	-	298,721	(863,563)	-	(863,563)
<b>Investment Earnings</b>						
Investment earnings, net of fees	901,475	136,005	1,037,480	1,077,475	173,227	1,250,702
Changes in value of beneficial interests in trusts	-	(1)	(1)	-	(952)	(952)
Changes in value of charitable gift annuities	8,660	-	8,660	-	(7,158)	(7,158)
Investment earnings, net	910,135	136,004	1,046,139	1,077,475	165,117	1,242,592
<b>Change in Net Assets</b>	1,208,856	136,004	1,344,860	213,912	165,117	379,029
Net assets released from restrictions	49,583	(49,583)	-	241,515	(241,515)	-
Net assets at beginning of year	21,822,172	1,103,163	22,925,335	21,366,745	1,179,561	22,546,306
<b>Net Assets at End of Year</b>	<u>\$ 23,080,611</u>	<u>\$ 1,189,584</u>	<u>\$ 24,270,195</u>	<u>\$ 21,822,172</u>	<u>\$ 1,103,163</u>	<u>\$ 22,925,335</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2024**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 397,360	\$ -	\$ 1,271	\$ 398,631
Education	21,637	-	-	21,637
Printing, postage and newsletter	196,838	-	196,838	393,676
Occupancy and maintenance	488,166	9,104	5,203	502,473
Other expenses	292,878	37,592	55,464	385,934
Professional	1,810	46,399	313	48,522
Salaries, wages and benefits	3,367,486	589,869	172,039	4,129,394
Travel, meetings, and other	3,034	2,110	1,516	6,660
Miscellaneous	1,357	-	45,222	46,579
Depreciation	584,097	123,542	29,485	737,124
Total Functional Expenses	<u>\$ 5,354,663</u>	<u>\$ 808,616</u>	<u>\$ 507,351</u>	<u>\$ 6,670,630</u>

Special Events, direct costs not included above:

Catering	\$ 26,258
Other direct costs	<u>20,102</u>
	<u>\$ 46,360</u>

*See notes to audited financial statements.*



**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2023**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 515,589	\$ -	\$ -	\$ 515,589
Education	21,540	25	-	21,565
Printing, postage and newsletter	207,516	-	207,517	415,033
Occupancy and maintenance	449,078	23,179	4,114	476,371
Other expenses	288,333	24,010	42,557	354,900
Professional	1,795	36,682	229	38,706
Salaries, wages and benefits	3,253,301	586,601	117,306	3,957,208
Travel, meetings, and other	1,173	1,137	1,054	3,364
Miscellaneous	273	184	-	457
Depreciation	509,642	177,201	61,847	748,690
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total Functional Expenses	<u>\$ 5,248,240</u>	<u>\$ 849,019</u>	<u>\$ 434,624</u>	<u>\$ 6,531,883</u>

Special Events, direct costs not included above:

Catering	\$ 25,061
Other direct costs	<u>36,827</u>
	<u>\$ 61,888</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Cash Flows**  
**December 31, 2024 and 2023**

	<u>2024</u>	<u>2023</u>
Change in net assets	\$ 1,344,860	\$ 379,029
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Realized and unrealized gain on investments	(1,046,139)	(1,137,980)
Noncash lease expense	43,026	87,419
Depreciation	737,124	748,690
Change in operating assets and liabilities:		
Pledges receivable	5,250	131,379
Other receivables	31,704	43,536
Inventory	6,942	60,795
Prepaid expenses and other current assets	(10,489)	1,791
Accounts payable and accrued expenses	(1,368)	32,175
Deferred revenue	27,176	(43,197)
Operating lease liabilities	<u>(43,026)</u>	<u>(87,419)</u>
Net cash provided by operating activities	1,095,060	216,218
<b>Investing Activities</b>		
Purchases of property and equipment	(21,371)	(99,081)
Net investment activity	(377,689)	(37,541)
Change in charitable gift annuities, net of payments	(1,840)	(1,834)
Change in beneficial interests in trusts	1	60,242
Net cash (used) by investing activities	<u>(400,899)</u>	<u>(78,214)</u>
 Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	 694,161	 138,004
 Cash, cash equivalents and restricted cash and restricted cash equivalents at beginning of year	 <u>2,449,164</u>	 <u>2,311,160</u>
 <b>Cash, Cash Equivalents and Restricted Cash and Restricted Cash Equivalents at End of Year</b>	 <u><u>\$ 3,143,325</u></u>	 <u><u>\$ 2,449,164</u></u>
 <b>Supplemental Disclosures</b>		
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Nature of Activities:* The Humane Society of San Antonio, dba San Antonio Humane Society, (the Society) is a not-for-profit corporation whose purpose is to provide effective means for the prevention of cruelty to animals in San Antonio, Bexar County and the surrounding area. The Society receives unwanted or abandoned cats and dogs and places them in adoptive or foster homes. The Society provides temporary shelter until suitable homes are found. Revenue to support the Society's programs is primarily provided by contributions and grants from individuals, corporations and foundations located in Bexar County and the surrounding areas.

*Basis of Presentation:* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Without Donor Restrictions:* Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Society generally are not considered "restricted" under GAAP, though for internal reporting the Society tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restriction, board designated.

*With Donor Restrictions:* Net assets subject to donor-imposed stipulations that are more restrictive than the Society's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time (such as pledges) or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

*Revenue Recognition:* The Society recognizes as revenue contributions and grants when cash, securities, an unconditional promise to give, or a notification of a beneficial interest are 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.

Contributions are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction.

Program fees for various services such as adoptions, veterinary services, microchipping, camps and merchandise sales are recognized as revenue at the time the service is performed or merchandise is delivered, net of related cost of sales of \$251,105 in 2024 and \$138,242 in 2023. Such fees are due at the time of service.

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions and any equivalent securities with a maturity of three months or less.

*Pledges Receivable:* Legally enforceable pledges and contributions, less an allowance for bad debts, are recorded as receivables in the year made unless the pledge or contribution is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Other Receivables:* Other receivables arise primarily from grants. Such receivables are recorded at gross less an allowance for bad debt. The allowance is generally based on an account-by-account review and historical trends. An allowance was not considered necessary at December 31, 2024 and 2023. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible. The Society generally does not charge interest on other receivables.

*Inventory:* Inventory consists of pet supplies and medications which are valued at the lower of cost or net realizable value determined on a specific identification basis.

*Investments:* Investments securities are reported at fair market value as determined by quoted market price. Investment earnings are reported net of fees of approximately \$56,000 in 2024 and \$49,000 in 2023. Gains and losses (realized and unrealized) are included in investment earnings on the statement of activities. Investments are reported at fair value determined by quoted market price. Endowments are board designated.

*Beneficial Interest in Trusts:* The Society holds a beneficial interest in certain trusts and does not recognize their interest until such time as the beneficiary designation cannot be changed.

*Assets Held in Charitable Gift Annuities:* The Society has established certain charitable gift annuities. Under the terms of these agreements, the Society makes distributions to the donors throughout the donor's life. Upon the death of the donors, assets remaining in the charitable gift annuities will be transferred to the Society. The Society records the assets held in charitable gift annuities at their fair market values based on quoted market prices of the underlying investments. A liability is recorded based on the estimated discounted value of the amounts due the annuitant based on the Internal Revenue Service annuity and mortality tables.

*Property and Equipment:* Property and equipment is stated at historical cost or estimated fair value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to seven years for furniture, equipment and vehicles, and fifteen to thirty years for buildings and improvements).

*Deferred Revenue:* Deferred revenue includes the unspent portion of grants received by the Society which are conditional on the Society's use of the grant for a specific purpose.

*Functional Allocation of Expenses:* The costs of providing the services and other activities are summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are allocated on a basis of time and effort (such as for salaries and benefits) as well as on a square footage or other reasonable basis (such as for depreciation, office and occupancy).

*Special Events:* Costs associated with special events are netted against the related revenues.

*Advertising:* Advertising and marketing costs are expensed as incurred and totaled approximately \$32,000 in 2024 and \$43,000 in 2023.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

*Leases:* Operating leases with a term greater than 12 months, lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The Society uses the risk-free discount rate to determine the present value of lease payments, according to the Society's elected policy, unless a readily determinable implicit rate is available. In determining lease asset values, the Society considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. The Society's leases may include a non-lease component representing additional services transferred to the Society. The Society elected an accounting policy to treat each separate lease component and its related non-lease components as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

*Joint Costs:* The cost of the Society's newsletter and related mailings are allocated between program and fundraising costs as reflected in the statement of functional expenses.

*Employee Benefit Plan:* The Society has a Simple IRA plan which covers substantially all employees. Employees may contribute a percentage of their annual compensation as allowed by the federal tax code. The Society matches up to 3% of employees' contributions. The Society match to the Plan totaled approximately \$45,000 in 2024 and \$33,000 in 2023.

*Income Taxes:* The Society is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code and is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Society is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, investments, and pledges receivable. The Society maintains cash deposits with major banks, which, from time-to-time, may exceed federal insured limits. At December 31, 2024 and 2023, the Society's uninsured cash balances totaled approximately \$1,877,000 and \$2,222,000. The Society periodically assesses the financial condition of the institutions holding the cash and investments and believes that the risk of loss due to a failure of the institution is minimal. The Society also has concentrations of credit risk with respect to pledges receivable due to it soliciting primarily in the South Texas area.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material events, if any, are disclosed in a separate footnote to these financial statements.

*Reclassification:* Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no effect on the previously reported change in net assets.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE B – PLEDGES RECEIVABLE**

Pledges receivable are as follows at December 31:

	<u>2024</u>	<u>2023</u>
Receivable in less than one year	<u>\$ 16,693</u>	<u>\$ 21,943</u>
Total pledges receivable	<u><u>\$ 16,693</u></u>	<u><u>\$ 21,943</u></u>

Discounting multi-year pledges to present value is not significant for recognition.

**NOTE C – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land, Fredericksburg Road	\$ 1,260,964	\$ 1,260,964
Office furniture and equipment	1,597,366	1,597,366
Shelter equipment	197,884	185,513
Vehicles	110,142	110,142
Facility and improvements	6,205,632	6,205,632
Construction in progress	9,000	-
Naylor building	<u>8,300,795</u>	<u>8,300,795</u>
Total property and equipment	17,681,783	17,660,412
Less accumulated depreciation	<u>(6,157,362)</u>	<u>(5,420,238)</u>
Net property and equipment	<u><u>\$ 11,524,421</u></u>	<u><u>\$ 12,240,174</u></u>

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE D – ENDOWMENTS**

A roll forward of the endowments are as follows:

	<u>2024</u>	<u>2023</u>
<i>Board Designated:</i>		
Endowments, beginning of year	\$ 635,653	\$ 561,996
Interest and dividends	22,788	12,548
Net realized and unrealized gain	57,800	87,952
Fees and expenses	(4,499)	(3,876)
Contributions	450,000	-
Appropriations	<u>(23,265)</u>	<u>(22,967)</u>
Endowments, end of year	<u>\$ 1,138,477</u>	<u>\$ 635,653</u>
<i>With Donor Restriction:</i>		
Endowments, beginning of year	\$ 1,088,839	\$ 965,994
Interest and dividends	27,690	21,524
Net realized and unrealized gain	108,315	151,183
Fees and expenses	(7,125)	(6,638)
Appropriations	<u>(44,830)</u>	<u>(43,224)</u>
Endowments, end of year	<u>\$ 1,172,889</u>	<u>\$ 1,088,839</u>

*Interpretation of Relevant Law:* The Board of Directors of the Society has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Society has three endowments, the Masoro Family Charitable Fund used for educational purposes as determined by the boards spending policy, the Margaret Louise Meador and Margie Ann Shackelford Endowment used for operations as determined by the boards spending policy and the Bill and Helen Michaels Medical Rescue Endowment Fund with donor restriction to be used to support the Society's veterinarians. The donors of the boards designated endowment indicated the funds be used for the prevention of cruelty to animals and the board determined it should be used as an endowment to support the organization. The donor restricted endowments did not include a stipulation that the corpus be held in perpetuity and therefore, the Society may use both the income and corpus of the endowments limited to certain annual spending rates to be determined by the Society's Board. Accordingly, the Society classifies as board designated and with donor restrictions: a) the original value of gifts, b) the original value of subsequent gifts, c) earnings on the gifts, and d) less appropriations. The funds will be classified as with donor restrictions and board designated.

The following factors, among others, are considered in making a determination to appropriate or accumulate donor restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the organization.
- 7) The investment policies of the organization.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2024 and 2023**

**NOTE D – ENDOWMENTS – continued**

*Return Objectives and Risk Parameters:* The Board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Endowment funds, over time, are expected to provide a positive rate of return. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate-of-return objectives, the Society 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). The Board targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy:* In accordance with the donor's stipulations, funds will be expended to fulfill the endowment's purpose in accordance with the Society's reasonable annual endowment spending rate which the Society's Board shall determine from time to time. The annual spending rate is based on a target rate set as a percentage of the average market value as of September 30 for the previous year. In determining this rate, the Board may consider, among other things, general economic conditions, the possible effect of inflation or deflation, and the expected total return from income and appreciation of investments in the fund.

**NOTE E – ASSETS HELD FOR CHARITABLE GIFT ANNUITIES**

The following table summarizes activity in the gift annuities for the years ended December 31:

	2024	2023
Charitable gift annuity value at beginning of year	\$ 9,026	\$ 9,329
Annuity payments	(10,500)	(10,500)
Net investment activity	533	10,197
Funded through general operations	5,387	-
Charitable gift, annuity value at end of year	4,446	9,026
Less liabilities for expected payments	(27,920)	(29,760)
Net asset (liability)	<u>\$ (23,474)</u>	<u>\$ (20,734)</u>



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**NOTE E – ASSETS HELD FOR CHARITABLE GIFT ANNUITIES – continued**

Charitable gifts received by the Society are summarized as follows:

<u>Year Established</u>	<u>Original Gift Amount</u>	<u>Quarterly Payment to Donor</u>	<u>Date of 1st Quarterly Payment</u>
2011	\$ 5,000	\$ 103	September 2011
2010	10,000	193	September 2010
2008	10,000	208	June 2008
2005	10,000	198	June 2009
2004	50,000	950	June 2004
2004	50,000	975	December 2004

**NOTE F – BENEFICIAL INTEREST IN TRUSTS**

The Society is named as beneficiary in three trusts:

Bruce Meador Charitable Remainder Trust  
Magie Shackelford Charitable Trust  
Michael Gallegos Trust

The Society is entitled to a distribution of its proportionate share of each trust upon the death of the grantor. The assets of each trust consist primarily of government securities, bond funds, equity and debt securities, and real estate interests, and the Society's net asset value is computed on its proportionate share of the fair value of the net trust assets. Through 2014, the Society recorded its estimated interest in trusts for which it is a named beneficiary. Effective in 2015, management determined it would no longer recognize its proportionate net asset value of the Trust until such time as the beneficiary designation could not be changed.

A summary of the trusts are as follows at December 31:

	<u>Beneficiary %</u>	<u>Net Asset Value</u>	
		<u>2024</u>	<u>2023</u>
Gallegos Trust	100%	\$ 1	\$ 1
Meador Trust	15%	-	1
Shackelford Trust	15%	1	1
		<u>\$ 2</u>	<u>\$ 3</u>

**NOTE G – MINERAL INTERESTS**

Mineral interests are valued at a nominal amount of \$1 per interest. The Society does not actively monitor or derive income from these interests, and no readily determinable fair value is available; therefore, they are recorded at nominal value, which approximates fair value. No income was received from the mineral interests during the years ended December 31, 2024 and 2023.

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**NOTE H - NET ASSETS**

Net assets released from restriction include the following:

	<u>2024</u>	<u>2023</u>
Operations	<u>\$ 49,583</u>	<u>\$ 241,515</u>

Net assets without donor restrictions include the following at December 31:

	<u>2024</u>	<u>2023</u>
Undesignated	\$ 21,937,688	\$ 21,186,519
Board-designated:		
Masoro Family Charitable Fund endowment	688,094	635,653
Shackelford endowment	450,383	-
Charitable gift annuity investments	<u>4,446</u>	<u>-</u>
Total net assets without restrictions	<u>\$ 23,080,611</u>	<u>\$ 21,822,172</u>

Net assets with donor restrictions consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
Time restricted:		
Operations (pledges receivable)	\$ 16,693	\$ 14,322
Beneficial interest in trusts	<u>2</u>	<u>3</u>
Time restricted	16,695	14,325
Endowments	<u>1,172,889</u>	<u>1,088,838</u>
Total net assets with donor restrictions	<u>\$ 1,189,584</u>	<u>\$ 1,103,163</u>

**NOTE I – FAIR VALUE MEASUREMENTS**

*Recurring Fair Value Measurements:* In accordance with U. S. GAAP, the Society utilizes a fair value hierarchy for inputs that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect the Management's assumptions of what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the reliability of the inputs as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.
- Level 2: Inputs to the valuation methodology include:
  - quoted prices for similar assets or liabilities in active markets
  - quoted prices for identical or similar assets or liabilities in inactive markets
  - inputs other than quoted prices that are observable for the asset or liability
  - inputs that are derived principally from or corroborated by observable market data by correlation
  - if a contractual term, the level 2 input must be observable for substantially the full term
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Financial assets and liabilities are to be classified based on the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to compute fair value:

*Money Market:* Valued at cost plus accrued interest.

*Equities (including common stock, mutual funds and exchange trade funds):* Valued at the closing prices reported on the active market in which the individual securities are traded.

*Fixed Income:* Bond funds and U.S. Government Securities valued at closing prices reported on the active market which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTE I – FAIR VALUE MEASUREMENTS – continued**

The following table sets forth, by level within the fair value hierarchy, the Society's investment assets measured at fair value:

<u>December 31, 2024:</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments and Endowed Investments:				
Money market	\$ 94,004	\$ -	\$ -	\$ 94,004
Equities	3,463,107	-	-	3,463,107
Fixed income	6,228,733	-	-	6,228,733
Assets measured at fair value	<u>\$ 9,785,844</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,785,844</u>
<u>December 31, 2023:</u>				
Investments and Endowed Investments:				
Money market	\$ 2,965	\$ -	\$ -	\$ 2,965
Equities	3,204,044	-	-	3,204,044
Fixed income	5,155,007	-	-	5,155,007
Assets measured at fair value	<u>\$ 8,362,016</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,362,016</u>

**NOTE J – CONTRIBUTED SERVICES**

The Society receives a substantial amount of contributed services from volunteers. Though an integral part of the Society's manpower, the value of the services are not included as contributed revenue or expense in the statement of activities because they are not provided by professionals, which is a requirement for recognition under U.S. generally accepted accounting principles. Based on a value of \$10.50 per hour in 2024 and 2023, which approximates the cost of individuals employed by the Society to perform similar services, the Society received the following economic value:

<u>Year</u>	<u>Hours</u>	<u>Value of Services</u>
2024	16,828	\$ 176,694
2023	19,771	207,596

**NOTE K – IN-KIND DONATIONS**

The Society received no in-kind donations in 2024 and \$8,849 in 2023. These amounts are reported as in-kind contributions on the statement of activities. These goods are primarily pet food and pet supplies which are used in the Society's program and are not donor restricted. These program supplies are valued at fair value based on the research done by the Society for purchasing similar goods.

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**NOTE L – LEASES**

The Society has third-party operating leases for office equipment. Operating lease expense is recognized on a straight-line basis over the lease term. The lease term for the office equipment extends through 2028. Lease expense associated with the non-cancellable operating lease agreements totaled approximately \$36,000 in both 2024 and 2023.

Supplemental balance sheet information related to the leases is as follows at December 31:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term	22.64	23.60
Weighted-average discount rate	4.24%	4.21%

Minimum lease payments due are as follows:

<u>Year Ending December 31:</u>	<u>Total</u>
2025	\$ 27,396
2026	27,396
2027	27,396
2028	<u>22,714</u>
Total minimum future payments	104,902
Less: imputed interest	<u>(9,015)</u>
Present value of lease liability	<u><u>\$ 95,887</u></u>

*City of San Antonio – Animal Care Services:* The Society leased, at the nominal rate of \$1 per year, the land and building to operate the Brooks Spay and Neuter Facility, under a lease agreement with the City of San Antonio that extended through March 6, 2023. The Society did not renew the lease after the termination date. No estimated fair value of this lease has been recorded as the estimated fair value of the lease was not readily determinable.

**NOTE M – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Society has approximately \$11,300,000 in financial assets at year-end consisting of unrestricted cash, pledges receivable, other receivables and unrestricted investments available to support operations. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures. Management budgets a 4% annual withdrawal from unrestricted investment portfolio to supplement operating costs. Accordingly, the Society will continue to actively earn program fees as well as solicit memberships, contributions and bequests to fund current operations. The Society has a goal to maintain financial assets to meet at least 12 months of recurring operating expenses, which on average, total approximately \$550,000 per month given full programmatic operations.