

**HUMANE SOCIETY  
OF SAN ANTONIO  
dba SAN ANTONIO  
HUMANE SOCIETY**

**Audited Financial Statements**

**December 31, 2025**



**ADKF**

CERTIFIED PUBLIC ACCOUNTANTS

**SAN ANTONIO HUMANE SOCIETY**  
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**December 31, 2025**

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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, 2025 and 2024, 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, 2025 and 2024, 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*

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ADKF, P.C.  
San Antonio, Texas  
May 5, 2026

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>ASSETS</b>		
Operating Assets:		
Cash and cash equivalents	\$ 2,253,083	\$ 3,143,325
Pledges receivable	-	16,693
Program service fee receivables	32,103	9,289
Inventory	59,646	29,434
Prepaid expenses and other current assets	107,673	75,269
Property and equipment, net	11,497,650	11,524,421
Land held for sale	-	10,250
Total operating assets	<u>13,950,155</u>	<u>14,808,681</u>
Investments, Trusts and Charitable Gifts:		
Investments:		
Unrestricted for general operations	8,522,806	7,470,032
Board designated endowment	1,253,532	1,138,477
Donor restricted endowment	1,286,945	1,172,889
Assets held for charitable gift annuities	34,432	4,446
Beneficial interests in trusts	1	2
Mineral interests	11	11
Total investments, trusts and charitable gifts	<u>11,097,727</u>	<u>9,785,857</u>
Other Assets:		
Operating lease right-of-use assets	72,472	95,887
Total other assets	<u>72,472</u>	<u>95,887</u>
<b>Total Assets</b>	<u><u>\$ 25,120,354</u></u>	<u><u>\$ 24,690,425</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 242,219	\$ 221,674
Deferred revenue	172,751	74,749
Liabilities under charitable gift annuities	21,636	27,920
Operating lease liabilities, current portion	<u>27,396</u>	<u>27,396</u>
Total current liabilities	464,002	351,739
Long-term Liabilities:		
Operating lease liabilities, non-current portion	45,076	68,491
Total liabilities	<u>509,078</u>	<u>420,230</u>
Net Assets:		
Without donor restrictions	22,806,266	23,080,611
With donor restrictions	<u>1,805,010</u>	<u>1,189,584</u>
Total net assets	<u>24,611,276</u>	<u>24,270,195</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 25,120,354</u>	<u>\$ 24,690,425</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Activities**  
**Years Ended December 31, 2025 and 2024**

	2025			2024		
	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	\$ 2,068,231	\$ -	\$ 2,068,231	\$ 1,641,535	\$ -	\$ 1,641,535
Bequests/special donations	674,960	-	674,960	2,755,509	-	2,755,509
Contributions and grants	2,428,266	-	2,428,266	2,311,077	-	2,311,077
Capital campaign contributions	-	505,268	505,268	-	-	-
Other income	75,766	-	75,766	101,839	-	101,839
Special events, net of expenses of \$46,871 and \$46,360	140,675	-	140,675	159,391	-	159,391
Total support and revenues	5,387,898	505,268	5,893,166	6,969,351	-	6,969,351
<b>Expenses</b>						
Program	5,537,981	-	5,537,981	5,354,663	-	5,354,663
General and administrative	745,510	-	745,510	808,616	-	808,616
Fundraising	685,812	-	685,812	507,351	-	507,351
Total expenses	6,969,303	-	6,969,303	6,670,630	-	6,670,630
<b>Operating (Loss) Income</b>	(1,581,405)	505,268	(1,076,137)	298,721	-	298,721
<b>Investment Earnings (Loss)</b>						
Investment earnings, net of fees	1,239,394	180,030	1,419,424	901,475	136,005	1,037,480
Changes in value of beneficial interests in trusts	-	-	-	-	(1)	(1)
Changes in value of charitable gift annuities	(2,206)	-	(2,206)	8,660	-	8,660
Investment earnings, net	1,237,188	180,030	1,417,218	910,135	136,004	1,046,139
<b>Change in Net Assets</b>	(344,217)	685,298	341,081	1,208,856	136,004	1,344,860
Net assets released from restrictions	69,872	(69,872)	-	49,583	(49,583)	-
Net assets at beginning of year	23,080,611	1,189,584	24,270,195	21,822,172	1,103,163	22,925,335
<b>Net Assets at End of Year</b>	<u>\$ 22,806,266</u>	<u>\$ 1,805,010</u>	<u>\$ 24,611,276</u>	<u>\$ 23,080,611</u>	<u>\$ 1,189,584</u>	<u>\$ 24,270,195</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2025**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 402,443	\$ -	\$ 4,846	\$ 407,289
Education	19,928	-	-	19,928
Printing, postage and newsletter	594	1,041	445,967	447,602
Occupancy and maintenance	537,121	10,809	4,446	552,376
Other expenses	291,565	29,201	51,517	372,283
Professional	75	47,088	1,196	48,359
Salaries, wages and benefits	3,622,604	599,419	151,101	4,373,124
Travel, meetings, and other	725	4,049	904	5,678
Miscellaneous	8,601	-	3,779	12,380
Depreciation	654,325	53,903	22,056	730,284
	<u>\$ 5,537,981</u>	<u>\$ 745,510</u>	<u>\$ 685,812</u>	<u>\$ 6,969,303</u>

Special Events, direct costs not included above:

Catering	\$ 43,559
Other direct costs	<u>3,312</u>
	<u>\$ 46,871</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
	<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**  
**Statements of Cash Flows**  
**December 31, 2025 and 2024**

	<u>2025</u>	<u>2024</u>
Change in net assets	\$ 341,081	\$ 1,344,860
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Realized and unrealized gain on investments	(1,417,218)	(1,046,139)
Noncash lease expense	28,092	43,026
Loss on sale of assets	10,250	-
Contributions restricted for long-term purposes, net	(505,268)	-
Depreciation	730,284	737,124
Change in operating assets and liabilities:		
Pledges receivable	16,693	5,250
Other receivables	(22,814)	31,704
Inventory	(30,212)	6,942
Prepaid expenses and other current assets	(32,404)	(10,489)
Accounts payable and accrued expenses	20,545	(1,368)
Deferred revenue	98,002	27,176
Operating lease liabilities	(28,092)	(43,026)
Net cash (used) provided by operating activities	<u>(791,061)</u>	<u>1,095,060</u>
<b>Investing Activities</b>		
Purchases of property and equipment	(703,513)	(21,371)
Net investment activity	105,347	(377,689)
Change in charitable gift annuities, net of payments	(6,284)	(1,840)
Change in beneficial interests in trusts	1	1
Net cash (used) by investing activities	<u>(604,449)</u>	<u>(400,899)</u>
<b>Financing Activities</b>		
Cash contributions restricted for long-term purposes	<u>505,268</u>	<u>-</u>
Net cash provided by financing activities	<u>505,268</u>	<u>-</u>
Net change in cash, cash equivalents, restricted cash and restricted cash equivalents	(890,242)	694,161
Cash, cash equivalents and restricted cash and restricted cash equivalents at beginning of year	<u>3,143,325</u>	<u>2,449,164</u>
<b>Cash, Cash Equivalents and Restricted Cash and Restricted Cash Equivalents at End of Year</b>	<u><u>\$ 2,253,083</u></u>	<u><u>\$ 3,143,325</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, 2025 and 2024**

**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 \$247,331 in 2025 and \$251,105 in 2024. 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 uncollectible pledges, 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, 2025 and 2024**

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

*Other Receivables:* Other receivables arise primarily from service fees. Such receivables are recorded at gross less an allowance for credit losses. The allowance is generally based on an account-by-account review and historical trends. An allowance was not considered necessary at December 31, 2025 and 2024. Accounts are charged off when collection efforts have failed, and the account is deemed uncollectible.

*Allowance for Expected Credit Losses:* The Society estimates expected credit losses on other receivables based on historical credit loss experience, receivables aging, current conditions, and collections received after the balance sheet date but before the financial statements are available for issuance. Collectability is assessed by pooling receivables that share similar characteristics and evaluating individually those that differ and are considered at risk. In 2025, the Society applied the practical expedient and assumed current conditions would remain unchanged over the life of the receivables. This evaluation included collections received through the date of the independent auditor's report. Based on this assessment, no allowance for credit losses was recorded at December 31, 2025, since all accounts were considered fully collectible.

*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:* Investment securities are reported at fair market value as determined by quoted market price. Investment earnings are reported net of fees of approximately \$61,000 in 2025 and \$56,000 in 2024. 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.

*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 \$36,000 in 2025 and \$32,000 in 2024.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2025 and 2024**

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

*Leases:* For leases with an original lease term of over 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. 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 value only if the option is reasonably certain to be exercised. The Society elected to account for lease and related non-lease components as a single lease component. Variable non-lease components are expensed as incurred. The Society uses the risk-free discount rate, as permitted for private companies, in measuring lease liabilities.

*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 \$42,550 in 2025 and \$44,941 in 2024.

*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 financial institutions, which, from time-to-time, may exceed federal insured limits. At December 31, 2025 and 2024, the Society's uninsured cash balances totaled approximately \$2,016,000 and \$1,877,000. Investments held in brokerage accounts exceeded Securities Investor Protection Corporation (SIPC) coverage limits by approximately \$10,606,000 and \$9,285,000 as of December 31, 2025 and 2024, respectively.

*Recently Adopted Accounting Pronouncements:* On July 30, 2025, the FASB issued ASU 2025-05, *Financial Instruments – Credit Losses (Topic 326)*, providing a practical expedient and an accounting policy election for non-public entities to measure expected credit losses on accounts receivable and contract assets from revenue transactions. The amendments are effective for fiscal years beginning after December 15, 2025, with early adoption permitted. These options allow entities to (a) assume current conditions at the balance sheet date will remain unchanged over the remaining life of the assets, and (b) consider amounts collected after the balance sheet date but before the financial statements are available for issuance when estimating expected credit losses. The Society early adopted this ASU prospectively for the year ended December 31, 2025, and the adoption did not have a material impact on the financial statements.

*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, the date the financial statements were available to be issued. Material events, if any, are disclosed in a separate footnote to these financial statements.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2025 and 2024**

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

*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.

**NOTE B – PLEDGES RECEIVABLE**

Pledges receivable total \$0- and \$16,693 as of December 31, 2025 and 2024, respectively. 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>2025</u>	<u>2024</u>
Land, Fredericksburg Road	\$ 1,260,964	\$ 1,260,964
Office furniture and equipment	1,644,553	1,597,366
Shelter equipment	197,884	197,884
Vehicles	110,142	110,142
Facility and improvements	6,205,632	6,205,632
Construction in progress	665,326	9,000
Naylor building	<u>8,300,795</u>	<u>8,300,795</u>
Total property and equipment	18,385,296	17,681,783
Less accumulated depreciation	<u>(6,887,646)</u>	<u>(6,157,362)</u>
Net property and equipment	<u>\$ 11,497,650</u>	<u>\$ 11,524,421</u>

**NOTE D – ENDOWMENTS**

A roll forward of the endowments are as follows:

	<u>2025</u>	<u>2024</u>
<i>Board Designated:</i>		
Endowments, beginning of year	\$ 1,138,477	\$ 635,653
Interest and dividends	25,945	22,788
Net realized and unrealized gain	141,971	57,800
Fees and expenses	(6,977)	(4,499)
Contributions	-	450,000
Appropriations	<u>(45,884)</u>	<u>(23,265)</u>
Endowments, end of year	<u>\$ 1,253,532</u>	<u>\$ 1,138,477</u>

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2025 and 2024**

**NOTE D – ENDOWMENTS – continued**

*With Donor Restriction:*

Endowments, beginning of year	\$ 1,172,889	\$ 1,088,839
Interest and dividends	26,466	27,690
Net realized and unrealized gain	147,952	108,315
Fees and expenses	(7,183)	(7,125)
Appropriations	<u>(53,179)</u>	<u>(44,830)</u>
Endowments, end of year	<u>\$ 1,286,945</u>	<u>\$ 1,172,889</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 board’s 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.

*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.

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**NOTE D – ENDOWMENTS – continued**

*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:

	<u>2025</u>	<u>2024</u>
Charitable gift annuity value at beginning of year	\$ 4,446	\$ 9,026
Annuity payments	(8,490)	(10,500)
Net investment activity	21,044	533
Funded through general operations	<u>17,432</u>	<u>5,387</u>
Charitable gift, annuity value at end of year	34,432	4,446
Less liabilities for expected payments	<u>(21,636)</u>	<u>(27,920)</u>
Net asset (liability)	<u>\$ 12,796</u>	<u>\$ (23,474)</u>

Charitable gifts received by the Society are summarized as follows:

<u>Year</u> <u>Established</u>	<u>Original</u> <u>Gift</u> <u>Amount</u>	<u>Quarterly</u> <u>Payment to</u> <u>Donor</u>	<u>Date of 1st</u> <u>Quarterly Payment</u>
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 a beneficiary in the Michael Gallegos Trust. The Society is entitled to a distribution of its proportionate share of the trust upon the death of the grantor. The assets of the 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. Value of asset is recorded at \$1 until such time as the beneficiary designation cannot be changed.

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**NOTE F – BENEFICIAL INTEREST IN TRUSTS - continued**

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

	<u>Beneficiary %</u>	<u>Net Asset Value</u>	
		<u>2025</u>	<u>2024</u>
Shackelford trust	15%	-	1
Gallegos Trust	100%	<u>1</u>	<u>1</u>
		<u>\$ 1</u>	<u>\$ 2</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, 2025 and 2024.

**NOTE H - NET ASSETS**

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

	<u>2025</u>	<u>2024</u>
Undesignated	\$ 21,552,734	\$ 21,942,134
Board-designated:		
Masoro Family Charitable Fund endowment	758,318	688,094
Shackelford endowment	<u>495,214</u>	<u>450,383</u>
Total net assets without restrictions	<u>\$ 22,806,266</u>	<u>\$ 23,080,611</u>

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**NOTE H - NET ASSETS - continued**

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

Time or purpose restricted:		
Operations (pledges receivable)	\$ -	\$ 16,693
Charitable gift annuities, net of liability	12,796	-
Beneficial interest in trusts	1	2
Time or purpose restricted	<u>12,797</u>	<u>16,695</u>
Capital campaign	505,268	-
Donor restricted endowment, refer to Note C	<u>1,286,945</u>	<u>1,172,889</u>
Total net assets with donor restrictions	<u>\$ 1,805,010</u>	<u>\$ 1,189,584</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.

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

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.

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

<u>December 31, 2025:</u>	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments and Endowed Investments:				
Money market	\$ 904	\$ -	\$ -	\$ 904
Equities	7,992,571	-	-	7,992,571
Fixed income	3,104,240	-	-	3,104,240
Assets measured at fair value	<u>\$ 11,097,715</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,097,715</u>
 <u>December 31, 2024:</u>				
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>

**SAN ANTONIO HUMANE SOCIETY**  
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**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 2025 and 2024, 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>
2025	18,462	\$ 193,851
2024	16,828	\$ 176,694

**NOTE K – 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 2025 and 2024.

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

	<u>2025</u>	<u>2024</u>
Weighted-average remaining lease term	2.83	3.83
Weighted-average discount rate	4.67%	4.24%

Minimum lease payments due are as follows:

<u>Year Ending December 31:</u>	<u>Total</u>
2026	\$ 27,396
2027	27,396
2028	<u>22,714</u>
Total minimum future payments	77,506
Less: imputed interest	<u>(5,034)</u>
Present value of lease liability	<u><u>\$ 72,472</u></u>

**SAN ANTONIO HUMANE SOCIETY**  
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**NOTE L – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES**

The Society has approximately \$12,062,000 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 \$581,000 per month given full programmatic operations.

**NOTE M – CAPITAL CAMPAIGN COMMITMENTS**

In fiscal year 2025, the Society committed to the construction of a new education building. As of December 31, 2025, \$505,268 in contributions from donors have been made towards the related capital campaign for this project. Architectural and planning costs totaling \$665,326 have been incurred and capitalized as of December 31, 2025. Groundbreaking is expected to occur during the third quarter of 2026. Total costs of the new facility are budgeted for approximately \$11,500,000.