

Houston Humane Society

Financial Statements

For the Years Ended December 31, 2024 and 2023

HOUSTON HUMANE SOCIETY
DECEMBER 31, 2024 AND 2023

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SPAIN PRICE READER
& THOMPSON, P.C.
ACCOUNTANTS & BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Houston Humane Society
Houston, Texas

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Houston Humane 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 accompanying financial statements present fairly, in all material respects, the financial position of Houston Humane Society 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 (GAAS). 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 Houston Humane 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 Houston Humane Society's ability to continue as a going concern for one year after the date that the financial statements are issued.

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 GAAS 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 GAAS, 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 Houston Humane 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 Houston Humane 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.

Spain, Price, Reader & Thompson P.C.

Houston, Texas
October 31, 2025

HOUSTON HUMANE SOCIETY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2024 AND 2023

	2024	2023
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 1,644,528	\$ 1,309,758
Investments	13,863,281	15,974,746
Other assets	10,931	10,800
	15,518,740	17,295,304
 <u>Property and equipment</u>		
Automobiles	411,304	411,304
Furniture and fixtures	467,650	408,397
Computer equipment	180,420	180,420
Machinery and equipment	1,517,212	1,412,328
Buildings and land	14,136,822	13,900,462
Construction in progress	637,210	-
	17,350,618	16,312,911
Less accumulated depreciation and amortization	6,056,219	5,672,145
	11,294,399	10,640,766
 <u>Endowment investments</u>		
Investments	838,163	838,163
	\$ 27,651,302	\$ 28,774,233

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2024 AND 2023

	2024	2023
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 457,268	\$ 404,185
Accrued expenses	232,030	199,468
	689,298	603,653
<u>Net assets</u>		
Without donor restrictions	23,857,283	25,161,643
With donor restrictions	3,104,721	3,008,937
	26,962,004	28,170,580
	\$ 27,651,302	\$ 28,774,233

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>Revenues and other support</u>			
Contributions	\$ 6,616,827	\$ 467,837	\$ 7,084,664
Special events, net of costs of direct benefit to donors of \$27,032	149,620	-	149,620
Merchandise sales	9,499	-	9,499
Service fees	4,026,245	-	4,026,245
Interest and dividend income	765,785	-	765,785
Other income	159,498	-	159,498
Investment income, net	485,276	-	485,276
Net assets released from restrictions:			
Appropriation for expenditure	318,241	(318,241)	-
Satisfaction of donor restrictions	53,812	(53,812)	-
	<u>12,584,803</u>	<u>95,784</u>	<u>12,680,587</u>
<u>Expenses</u>			
Program service:			
Shelter	5,819,123	-	5,819,123
Spay/Neuter Clinic	4,268,005	-	4,268,005
Cruelty Rescue	894,750	-	894,750
Wildlife Center	1,910,472	-	1,910,472
Supporting services:			
Fund-raising	730,318	-	730,318
General and administrative	266,495	-	266,495
	<u>13,889,163</u>	<u>-</u>	<u>13,889,163</u>
Change in net assets	(1,304,360)	95,784	(1,208,576)
Net assets, beginning of year	<u>25,161,643</u>	<u>3,008,937</u>	<u>28,170,580</u>
Net assets, end of year	<u>\$ 23,857,283</u>	<u>\$ 3,104,721</u>	<u>\$ 26,962,004</u>

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>
<u>Revenues and other support</u>			
Contributions	\$ 5,585,351	\$ 639,709	\$ 6,225,060
Special events, net of costs of direct benefit to donors of \$36,454	163,687	-	163,687
Merchandise sales	9,318	-	9,318
Service fees	3,700,308	-	3,700,308
Interest and dividend income	550,382	-	550,382
Other income	68,203	-	68,203
Investment income, net	808,870	-	808,870
Net assets released from restrictions:			
Appropriation for expenditure	112,885	(112,885)	-
Satisfaction of donor restrictions	310,815	(310,815)	-
	<u>11,309,819</u>	<u>216,009</u>	<u>11,525,828</u>
<u>Expenses</u>			
Program service:			
Shelter	5,544,852	-	5,544,852
Spay/Neuter Clinic	3,921,684	-	3,921,684
Cruelty Rescue	787,032	-	787,032
Wildlife Center	1,635,587	-	1,635,587
Supporting services:			-
Fund-raising	678,094	-	678,094
General and administrative	256,758	-	256,758
	<u>12,824,007</u>	<u>-</u>	<u>12,824,007</u>
Change in net assets	(1,514,188)	216,009	(1,298,179)
Net assets, beginning of year	<u>26,675,831</u>	<u>2,792,928</u>	<u>29,468,759</u>
Net assets, end of year	<u>\$ 25,161,643</u>	<u>\$ 3,008,937</u>	<u>\$ 28,170,580</u>

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	Shelter Expenses	Spay/Neuter Clinic	Cruelty Rescue	Wildlife Center	Fund-Raising	General and Administrative	Total
<u>Salaries and related expenses</u>							
Salaries	\$ 2,020,334	\$ 1,839,254	\$ 409,931	\$ 1,325,721	\$ 215,460	\$ 47,625	\$ 5,858,325
Payroll taxes and benefits	240,709	203,739	54,283	130,226	24,917	4,141	658,015
	<u>2,261,043</u>	<u>2,042,993</u>	<u>464,214</u>	<u>1,455,947</u>	<u>240,377</u>	<u>51,766</u>	<u>6,516,340</u>
<u>Operating expenses</u>							
Accounting	38,608	55,813	7,031	17,676	19,412	19,331	157,871
Advertising	18,486	18,613	819	2,914	190	-	41,022
General education and publicity	61,384	58,909	216	1,580	2,628	-	124,717
Bank charges	60,674	100,331	13,175	16,411	-	33,434	224,025
Contracted services	111,829	558,085	252,786	38,400	72,916	-	1,034,016
Cost of sales	2,665,371	1,012,260	56,206	70,649	-	-	3,804,486
Insurance	162,626	153,839	22,537	71,710	54,761	82,142	547,615
Maintenance and repairs	38,178	63,779	26,298	2,924	-	-	131,179
Office equipment	16,873	23,002	9,098	12,865	5,386	-	67,224
Postage	1,753	2,727	352	501	75,974	-	81,307
Printing	-	-	-	2,426	174,405	-	176,831
Rent	-	-	-	98,935	-	-	98,935
Supplies - office	12,153	7,647	1,747	4,783	2,528	-	28,858
Supplies - other	12,323	10,020	33	5,106	26,119	-	53,601
Special events	-	-	-	-	4,609	-	4,609
Telephone	8,008	13,348	2,669	4,669	3,825	5,739	38,258
Travel, education and seminars	15,821	10,777	10,974	33,388	7,171	10,757	88,888
Utilities	65,034	17,439	565	31,946	15,331	22,997	153,312
Other expenses	63,261	40,123	14,409	8,987	2,086	3,129	131,995
	<u>3,352,382</u>	<u>2,146,712</u>	<u>418,915</u>	<u>425,870</u>	<u>467,341</u>	<u>177,529</u>	<u>6,988,749</u>
Total operating expenses and salaries before depreciation	5,613,425	4,189,705	883,129	1,881,817	707,718	229,295	13,505,089
Depreciation and amortization	205,698	78,300	11,621	28,655	22,600	37,200	384,074
	<u>\$ 5,819,123</u>	<u>\$ 4,268,005</u>	<u>\$ 894,750</u>	<u>\$ 1,910,472</u>	<u>\$ 730,318</u>	<u>\$ 266,495</u>	<u>\$ 13,889,163</u>

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Shelter Expenses	Spay/Neuter Clinic	Cruelty Rescue	Wildlife Center	Fund-Raising	General and Administrative	Total
<u>Salaries and related expenses</u>							
Salaries	\$ 1,690,183	\$ 1,462,032	\$ 315,378	\$ 1,094,224	\$ 212,093	\$ 36,597	\$ 4,810,507
Payroll taxes and benefits	263,926	133,322	24,109	96,202	17,414	3,182	538,155
	<u>1,954,109</u>	<u>1,595,354</u>	<u>339,487</u>	<u>1,190,426</u>	<u>229,507</u>	<u>39,779</u>	<u>5,348,662</u>
<u>Operating expenses</u>							
Accounting	26,915	52,021	5,659	10,208	15,804	14,931	125,538
Advertising	60,393	62,134	1,027	3,722	326	-	127,602
General education and publicity	71,862	67,113	-	5,088	-	-	144,063
Bank charges	67,536	81,810	13,108	6,945	1,383	30,149	200,931
Contracted services	103,780	723,068	232,415	33,585	44,021	-	1,136,869
Cost of sales	2,653,076	889,276	103,333	81,311	-	-	3,726,996
Insurance	121,177	171,107	19,787	66,111	50,424	75,636	504,242
Maintenance and repairs	54,981	74,167	29,429	32,101	-	-	190,678
Office equipment	20,750	27,457	4,930	20,541	7,146	-	80,824
Postage	1,086	1,710	179	756	86,612	-	90,343
Printing	-	-	-	5,626	187,952	-	193,578
Rent	-	-	-	74,983	-	-	74,983
Supplies - office	9,062	8,731	2,128	17,494	2,064	-	39,479
Supplies - other	18,066	15,514	-	10,364	2,807	-	46,751
Telephone	8,264	13,754	2,751	2,508	3,636	5,455	36,368
Travel, education and seminars	13,549	11,303	9,515	31,244	6,820	10,229	82,660
Taxes	-	-	-	1,900	-	-	1,900
Utilities	74,209	15,715	563	21,529	14,935	22,403	149,354
Other expenses	70,037	35,850	11,921	19,145	3,057	2,586	142,596
	<u>3,374,743</u>	<u>2,250,730</u>	<u>436,745</u>	<u>445,161</u>	<u>426,987</u>	<u>161,389</u>	<u>7,095,755</u>
Total operating expenses and salaries before depreciation	5,328,852	3,846,084	776,232	1,635,587	656,494	201,168	12,444,417
Depreciation and amortization	216,000	75,600	10,800	-	21,600	55,590	379,590
	<u>\$ 5,544,852</u>	<u>\$ 3,921,684</u>	<u>\$ 787,032</u>	<u>\$ 1,635,587</u>	<u>\$ 678,094</u>	<u>\$ 256,758</u>	<u>\$ 12,824,007</u>

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
<u>Cash flows from operating activities</u>		
Change in net assets	\$ (1,208,576)	\$ (1,298,179)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	384,074	379,590
Investment income, net	(485,276)	(808,870)
Dividends and interest income reinvested (noncash)	(489,273)	(550,382)
(Increase) decrease in assets:		
Other assets	(131)	860
Increase in liabilities:		
Accounts payable	53,083	53,863
Accrued expenses	32,562	73,575
	(1,713,537)	(2,149,543)
<u>Cash flows from investing activities</u>		
Purchases of fixed assets	(1,037,707)	(1,643,059)
Proceeds from sales of marketable securities	13,729,126	16,939,324
Purchases of marketable securities	(10,643,112)	(17,077,030)
	2,048,307	(1,780,765)
Net cash provided by (used in) investing activities		
Net increase (decrease) in cash and cash equivalents	334,770	(3,930,308)
Cash and cash equivalents, beginning of year	1,309,758	5,240,066
Cash and cash equivalents, end of year	\$ 1,644,528	\$ 1,309,758
<u>Supplementary Disclosure of Cash Flow Information</u>		
Noncash investing activity - reinvestment of dividends and interest	\$ 489,273	\$ 550,382

See accompanying notes and independent auditors' report.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1: Nature of activities and significant accounting policies

Nature of activities

The Houston Humane Society (the "Organization") is a nonprofit organization incorporated July 1958. The Organization, through leadership, education and action, seeks to prevent cruelty to all living creatures, relieve the suffering of animals, and provide educational programs to the general public regarding animal welfare. The Organization is located in Houston, Texas and provides animal care services for several surrounding counties. The Organization's primary sources of revenues are public and private contributions and service fees (clinic and shelter services).

Significant accounting policies

Basis of presentation

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and follows the guidance of the Financial Accounting Standards Board ("FASB") related to financial statements of not-for-profit organizations.

Cash and cash equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents exclude restricted cash and cash equivalents.

The Company maintains cash balances at financial institutions which, at times, may exceed federally insured limits. Management feels the risk of default is minimal.

Restricted cash

There is no restricted cash in fiscal years ended December 31, 2024 and 2023.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met or explicitly waived by the donor. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Management evaluates potential uncollectible contributions receivable at year-end to determine the appropriate allowance for uncollectible promises to give. As of December 31, 2024 and 2023, there were no promises to give or other receivables outstanding; therefore, no allowance for uncollectible balances was recorded.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1: Nature of activities and significant accounting policies (continued)

Investments

Investments are composed of equity mutual and index funds, equity securities, fixed income bond funds and certificates of deposit and are recorded at fair market value. The realized and unrealized gains and losses on these investments are reflected in the statement of activities.

Impairment of long-lived assets

The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No impairments were indicated in 2024 or 2023.

Property and equipment

Donated furniture and equipment owned by the Organization is recorded at fair market value at date of contribution. All purchased furniture and equipment is recorded at historical cost.

Depreciation of property and equipment is provided using both straight-line and accelerated methods over the following useful lives:

<u>Assets</u>	<u>Years</u>
Automobiles	5
Furniture and fixtures	5 - 15
Computer equipment	3 - 7
Machinery and equipment	5 - 7
Buildings and improvements	15 - 39

Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization expense for the years ended December 31, 2024 and 2023 were \$384,074 and \$379,590, respectively.

Leases

The Organization determines if an arrangement is a lease at inception. Right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Because the Company's lease agreements generally do not provide an implicit rate, the Company uses its incremental borrowing rate, based on information available at the commencement date, to determine the present value of lease payments.

The Organization has elected the practical expedient not to recognize ROU assets or lease liabilities for leases with an initial term of 12 months or less ("short-term leases"). Lease expense for such arrangements is recognized on a straight-line basis over the lease term.

Consistent with the application of U.S. GAAP, the Organization also evaluates the materiality of lease arrangements. Immaterial leases are not recognized on the balance sheet, and the related lease expense is included within operating expenses in the accompanying financial statements. As of December 31, 2024 and 2023, all leases were immaterial and accounted for in this manner.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1: Nature of activities and significant accounting policies (continued)

Net assets

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors or may otherwise be limited by contractual agreements with outside parties. The Organization had net assets without donor restrictions of \$23,857,283 and \$25,161,643 as of December 31, 2024 and 2023, respectively.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Net assets with donor-imposed restrictions include net assets that are either (i) restricted until the donor-imposed stipulation has been met through the passage of time and/or by actions of the Board of Directors, or (ii) expected to be maintained in perpetuity. When a purpose restriction is accomplished or a time restriction ends, net assets with donor restrictions are released to net assets without donor restrictions. The Organization had net assets with donor restrictions of \$3,104,721 and \$3,008,937 as of December 31, 2024 and 2023, respectively.

Revenue Recognition

Contributions are recognized as revenue when cash or other assets are received, an unconditional promise to give is made, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions upon which they depend have been substantially met or the donor has explicitly removed those conditions. Contributions received with donor-imposed restrictions that are satisfied in the same year in which they are received are reported as increases in net assets without donor restrictions.

Endowment contributions and investments are restricted by the donor. Investment earnings available for distribution are recorded in net assets without donor restrictions. Investment earnings with donor restrictions are recorded in net assets with donor restrictions.

Revenue from service fees, merchandise sales, and special events is recognized when the related performance obligations under contracts with customers are satisfied. Amounts received in advance are recorded as deferred revenue and recognized over the periods to which they relate. As of December 31, 2024 and 2023, no revenue had been received in advance; therefore, no deferred revenue was recorded.

Donated materials and services

The Organization records donated materials as contribution revenue in the period received at fair market value at the date of the gift. Contributed services of professionals are recognized as in-kind contribution revenue at their estimated fair value if they require specialized skills which would need to be purchased if they were not donated. In-kind donations included in contribution revenue at December 31, 2024 and 2023 totaled to \$2,484,801 and \$2,543,655, respectively, for food and supplies.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 1: Nature of activities and significant accounting policies (continued)

Donated materials and services (continued)

The Organization receives a significant amount of donated services from unpaid volunteers who assist in fund-raising and program activities. These donated services do not meet the criteria for recognition required by accounting principles generally accepted in the United States of America and are not reflected in the accompanying financial statements.

Functional allocation of expenses

The costs of the Organization's various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Federal income tax

Under section 501(c)(6) of the Internal Revenue Code, the Organization is exempt from taxes on income other than unrelated business income. Unrelated business income results from merchandise sales.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon examination by the tax authorities. It also provides guidance for derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2024 and 2023, the Organization has no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

Use of estimates

The preparation of the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America 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 each reporting period. Actual results could differ from those estimates.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense was \$41,022 and \$127,601 for the years ended December 31, 2024 and 2023, respectively.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2: Investments

In accordance with accounting guidance, fair value is defined as the price that the Organization would receive upon selling an investment in a timely transaction to an independent buyer in the principal or most advantageous market of the investment. Various inputs are used in determining the value of the investments. A three-tier hierarchy of inputs is used to establish a classification of fair value measurements and disclosure. The three-tier hierarchy of inputs is summarized below:

Level 1 – quoted prices in active markets for identical securities

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Level 1 inputs - The fair value of the organization’s mutual funds, common stocks, corporate bonds, and fixed income securities are valued at the closing price reported on the active market on which the individual securities are traded.

Level 2 inputs - The fair value of certificates of deposit is based on yields for security of comparable maturity, quality, and type as obtained from market makers, which are observable inputs other than the quoted market prices.

Level 3 inputs - The fair value of hedge funds, real estate backed investments, and commodities are determined through consideration of the net asset values provided by the fund manager and other market factors. Other factors include, but are not limited to, estimates of liquidation value, prices of recent transactions in the same or similar funds, current performance, future expectations of the particular investment, and changes in market outlook and the financing environment.

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities. The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 3,071,765	\$ -	\$ 3,071,765
U.S. Treasury Notes	2,356,494	-	-	2,356,494
Equity Mutual and Index Funds	3,669,332	-	-	3,669,332
Equity Securities	3,557,402	-	-	3,557,402
Corporate Bonds	754,255	-	-	754,255
Fixed Income Taxable Bond Funds	1,292,196	-	-	1,292,196
	<u>\$ 11,629,679</u>	<u>\$ 3,071,765</u>	<u>\$ -</u>	<u>\$ 14,701,444</u>

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023

NOTE 2: Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Certificates of Deposit	\$ -	\$ 6,580,909	\$ -	\$ 6,580,909
U.S. Treasury Notes	2,202,330	-	-	2,202,330
Equity Mutual and Index Funds	3,508,092	-	-	3,508,092
Equity Securities	3,125,836	-	-	3,125,836
Fixed Income Taxable Bond Funds	1,395,742	-	-	1,395,742
	<u>\$ 10,232,000</u>	<u>\$ 6,580,909</u>	<u>\$ -</u>	<u>\$ 16,812,909</u>

NOTE 3: Liquidity and availability of financial resources

The following reflects the Organization's financial assets as of December 31, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the financial position date. Amounts not available include amounts restricted for a donor specified purpose.

<u>December 31,</u>	<u>2024</u>	<u>2023</u>
Total assets at year end	\$ 27,651,302	\$ 28,774,233
Less non-financial assets		
Other assets	(10,931)	(10,800)
Property and equipment, net	(11,294,399)	(10,640,766)
Financial assets at year-end	16,345,972	18,122,667
Less those not available for general expenditures within one year due to contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(3,104,721)	(3,008,937)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,241,251</u>	<u>\$ 15,113,730</u>

The Organization is substantially supported by individual contributors in the form of one-time donations, bequests which usually come from individuals who have previously adopted animals from the Organization or have another personal connection to the Organization, and fundraising events held at various times throughout the year. Other revenue sources include in-kind contributions from sponsor companies and other restricted contributions from major donors.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4: Endowment

The Organization’s endowment consists of a memorial fund in the name of Royce Clark and Gordon Watson at Charles Schwab & Co, Inc. The income from the fund is restricted to the funding of special events and other non-routine expenditures.

The Organization has interpreted the State 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. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds with donor restrictions:

- (1) The duration and preservation of the fund
- (2) The purposes of 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.

Endowment net assets consist of the following at December 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment fund	\$ 226,351	838,163	\$ 1,064,514

Endowment net assets consist of the following at December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment fund	\$ 175,572	838,163	\$ 1,013,735

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DECEMBER 31, 2024 AND 2023

NOTE 4: Endowment (continued)

Changes in endowment net assets for the years ended December 31, 2024 and 2023, are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2022	\$ 92,290	\$ 838,163	\$ 930,453
Investment income	28,799	-	28,799
Unrealized and realized loss	38,386	-	38,386
Amounts appropriated for expenditure	16,097	-	16,097
Endowment net assets, December 31, 2023	175,572	838,163	1,013,735
Investment income	27,747	-	27,747
Unrealized and realized loss	48,404	-	48,404
Amounts appropriated for expenditure	(25,372)	-	(25,372)
Endowment net assets, December 31, 2024	<u>\$ 226,351</u>	<u>\$ 838,163</u>	<u>\$ 1,064,514</u>

Fund with deficiency

From time to time, the fair value of assets associated with individual endowment funds with donor restrictions may fall below the level that the donor or SPMIFA requires the Organization to retain as a fund of perpetual duration. There was no deficiency as of December 31, 2024.

Return objectives and risk parameters

The Organization has adopted investment and spending policies for endowment assets that seek income and capital growth as well as preservation of principal. It is intended to have an average level of risk and may experience moderate levels of volatility.

Strategies employed for achieving objectives

To satisfy its investment objectives, the Organization 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 Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy

The Organization's spending policy is to spend all amounts above the restricted endowment amount on expenditures allowed by the endowment. Typically, the Organization withdraws the excess amounts from the investment endowment assets once a year.

HOUSTON HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
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NOTE 5: Special events

Special events consist of revenues and expenses from the following:

	2024	2023
K-9 Fun Run	\$ 49,058	\$ 28,494
Companion Camp	75,198	109,550
Young Adult Professionals	1,616	1,433
Car Auction	1,856	2,732
Wildlife Other Events	-	5,179
Chili Cookoff	791	10,553
Par Fore Pets Golf Tournament	48,133	42,200
	176,652	200,141
Less direct benefits to donors	(27,032)	(36,454)
	\$ 149,620	\$ 163,687

NOTE 6: Net assets with donor restrictions

At December 31, 2024 and 2023, net assets with donor restrictions are available for the following:

	2024	2023
Heartworm Treatment Fund	\$ -	\$ 29,164
Pet Transportation	-	834
Winter Freeze Crates	11,000	-
ASPCA Research Grant	12,721	-
NOAA Planet Stewards	2,648	-
Capital Campaign Hospital	465,000	300,000
CenterPoint Energy Grant	-	30,000
ASPCA Forensic	327	9,492
LINK	500	500
Pets for Life	-	31,422
Hurricane Harvey Disaster Recovery	1,769,361	1,769,361
Hurricane Helene	5,000	-
Endowment	838,164	838,164
	\$ 3,104,721	\$ 3,008,937

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NOTES TO FINANCIAL STATEMENTS
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NOTE 6: Net assets with donor restrictions (continued)

For the years ended December 31, 2024 and 2023, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	2024	2023
Wildlife Center Building Fund	\$ -	\$ 306,982
The Hamill Foundation	-	3,833
Wish List	1,000	-
Disaster Relief	50,500	-
AC	5,000	-
ASPCA Forensic Grant	9,165	208
Petco Love	900	-
Capital Campaign Hospital	35,000	-
NOAA Planet Stew ards	2,351	-
Play Yard Enrichment Program	18,947	-
Forensic	-	3,000
Foster Program	-	2,651
Pet Transportation Fund	834	500
Heartworm Treatment Fund	57,581	19,355
Centerpoint Energy Grant	30,000	-
Greater Good Charities	-	2,000
Adoption Fees	-	1,602
Enrichment	107	1,825
Employee's Travel	1,825	-
Spay and Neuter Clinic	-	4,731
Emergency Medical Fund	-	336
Pet Pantry	-	6,804
Medical Fund	954	-
Petfinder Foundation – Dogs Playing for Life	-	1,000
Pet Treats & Pooper Scoopers	-	1,000
ASPCA Research Grant	25,379	-
Education	300	-
Winter Freeze	2,324	-
Maddie's Fund	15,000	-
Wildlife Education	-	10,000
Parks & Wildlife	-	3,573
Wildlife - Bats	-	1,635
Wildlife Critical Care	-	550
Wildlife Supplies	2,125	-
Pets for Life	92,879	28,578
Fix Felix and Friends	-	1,357
Pet Resources	19,087	-
New Home New Start	-	640
AVMF Externship	-	20,000
Feed Our Shelter Pets	-	1,540
Adoption Fee Sponsorships	795	-
	<u>\$ 372,053</u>	<u>\$ 423,700</u>

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NOTE 7: Related party transactions

From time to time, the organization purchases goods and services from businesses that are owned or operated by employees and or members of their respective board. There were no transactions during the years ended December 31, 2024 and 2023 that were material to the financial statements. These transactions are done at arm's length and at market rates (that are sometimes discounted). The board has in place a conflict of interest policy that requires disclosure of any Board member that may do business with the organization, and the board members are not allowed to participate on any purchase decisions by the organization involving their respective business.

The secretary of the Board of Directors owns a veterinarian clinic which provided veterinarian services to the organization and was paid \$22,200 and \$21,600 for the years ended December 31, 2024 and 2023, respectively, for these services.

A Board of Directors member received payments of \$36,000 and \$66,000 for consulting services offered for the years ended December 31, 2024 and 2023, respectively.

NOTE 8: Retirement Plans

The Organization sponsors a tax-deferred 403(b) Thrift Plan to provide retirement benefits to its employees. All employees are eligible to make voluntary pre-tax contributions to the plan, subject to Internal Revenue Service limitations. The plan also includes an employer-matching component available to employees who are at least 21 years of age and have completed one year of service. The Organization matches employee contributions at rates ranging from 7% to 15% of eligible compensation, based on years of service.

Employer contributions to the plan were \$113,120 and \$99,085 for the years ended December 31, 2024 and 2023, respectively. The plan is intended to qualify under Section 403(b) of the Internal Revenue Code, and the plan administrator believes the plan is in compliance with applicable requirements.

The Organization also sponsors nonqualified deferred compensation plan under Section 457(b) of the Internal Revenue Code for certain eligible employees, including directors, senior staff, and veterinarians. Eligible employees may defer a portion of their compensation under the plan, subject to IRS limitations. The Organization may make discretionary contributions to the plan.

The plan assets are held in custodial accounts; however, such assets and any earnings thereon are considered assets of the Organization and remain subject to the claims of its general creditors in the event of insolvency. Participants have an unsecured contractual right to receive benefits under the plan in the future.

The Organization's contribution expense for the years ended December 31, 2024 and 2023, was \$37,919 and \$26,905, respectively. The plan is intended to comply with the applicable requirements of Section 457(b) of the Internal Revenue Code, and management believes the plan is in compliance with those requirements.

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NOTE 9: Deferred taxes

The Organization is required to file a Form 990-T related to one of their programs. This activity has generated losses in prior years, resulting in net operating loss carryforwards of \$330,861 and \$337,855 as of December 31, 2024 and 2023, respectively. Based on a federal tax rate of 21%, the resulting deferred tax asset and valuation allowance is summarized as follows for each year:

	2024	2023
Deferred tax asset	\$ 69,481	\$ 70,950
Valuation allowance	(69,481)	(70,950)
	\$ -	\$ -

Management has determined that a full valuation allowance should be recorded against the deferred tax asset due to the continuing net operating losses associated with this activity.

NOTE 10: Subsequent events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, October 31, 2025, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.