



**Houston Society for the
Prevention of Cruelty to Animals**

FINANCIAL STATEMENTS

December 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Houston Society for the Prevention of Cruelty to Animals
Houston, Texas

Opinion

We have audited the accompanying financial statements of Houston Society for the Prevention of Cruelty to Animals (a nonprofit organization) and the consolidated financial statements of Houston Society for the Prevention of Cruelty to Animals and subsidiary (collectively, the Organization), which comprise the statement of financial position and the consolidated statement of financial position as of December 31, 2024 and 2023, respectively, and the related statements of activities, functional expenses and cash flows and consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements and consolidated financial statements.

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization 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 these 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be 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 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 Organization'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 Organization'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.

Carr, Riggs & Ingram, L.L.C.

Houston, Texas

December 10, 2025

Houston Society for the Prevention of Cruelty to Animals
Statement of Financial Position and Consolidated Statement of Financial Position

<i>December 31,</i>	2024	(Consolidated) 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 3,232,559	\$ 3,145,213
Marketable securities - short term	-	4,012,327
Promises to give	777,195	492,992
Promises to give - capital campaign, net	2,000	208,000
Other receivables	489,999	67,679
Prepaid expenses	88,885	132,513
Total current assets	4,590,638	8,058,724
Property and equipment		
Land	7,005,836	7,005,836
Buildings and improvements	45,711,137	45,691,940
Property improvements	215,696	215,696
Furniture and equipment	3,530,692	3,277,032
Accumulated depreciation	(11,967,891)	(10,652,609)
Property and equipment, net	44,495,470	45,537,895
Long-term assets		
Marketable securities	27,747,616	20,880,499
Marketable securities restricted for endowment	1,221,324	1,221,324
Operating lease right-of-use asset, net	61,744	-
Total long-term assets	29,030,684	22,101,823
Total assets	\$ 78,116,792	\$ 75,698,442

(Continued)

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

Houston Society for the Prevention of Cruelty to Animals
Statement of Financial Position and Consolidated Statement of Financial Position
(Continued)

<i>December 31,</i>	2024	(Consolidated) 2023
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 346,326	\$ 275,276
Accrued payroll and benefits	376,312	288,976
Current maturities of operating lease liability	15,560	-
Total current liabilities	738,198	564,252
Long-term liabilities		
Operating lease liability, less current maturities	46,197	-
Total liabilities	784,395	564,252
Net assets		
Without donor restrictions		
Property and equipment, net	44,495,470	45,537,895
Undesignated	30,782,761	27,507,913
Total without donor restriction	75,278,231	73,045,808
With donor restrictions	2,054,166	2,088,382
Total net assets	77,332,397	75,134,190
Total liabilities and net assets	\$ 78,116,792	\$ 75,698,442

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

Houston Society for the Prevention of Cruelty to Animals Statement of Activities

For the year ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Adoptions	\$ 716,343	\$ -	\$ 716,343
Admissions	170,309	-	170,309
Contributions	2,932,997	94,345	3,027,342
Contributions of non-financial assets	448,690	-	448,690
Online contributions	1,396,692	-	1,396,692
Direct mail	1,619,678	-	1,619,678
Trusts and bequests	3,987,705	50,000	4,037,705
Foundations	639,866	494,368	1,134,234
Fundraising	1,363,196	-	1,363,196
Investment income, net	2,968,447	-	2,968,447
Fees for services	1,066,457	-	1,066,457
Other	823,356	-	823,356
Net assets released from restrictions			
Operations	672,929	(672,929)	-
Total revenue and other support	18,806,665	(34,216)	18,772,449
Expenses			
Program services	13,836,763	-	13,836,763
Management and general	691,346	-	691,346
Fundraising	2,046,133	-	2,046,133
Total expenses	16,574,242	-	16,574,242
Changes in net assets	2,232,423	(34,216)	2,198,207
Net assets at beginning of year	73,045,808	2,088,382	75,134,190
Net assets at end of year	\$ 75,278,231	\$ 2,054,166	\$ 77,332,397

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

Houston Society for the Prevention of Cruelty to Animals Consolidated Statement of Activities

For the year ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support			
Adoptions	\$ 721,814	\$ -	\$ 721,814
Admissions	124,424	-	124,424
Contributions	2,549,031	256,745	2,805,776
Contributions of non-financial assets	384,383	-	384,383
Online contributions	1,056,771	-	1,056,771
Direct mail	1,633,169	-	1,633,169
Trusts and bequests	3,521,109	-	3,521,109
Foundations	273,690	286,893	560,583
Fundraising	842,421	115,000	957,421
Investment income, net	3,515,431	-	3,515,431
Fees for services	365,583	-	365,583
Other	876,846	-	876,846
Net assets released from restrictions			
Operations	816,251	(816,251)	-
Total revenue and other support	16,680,923	(157,613)	16,523,310
Expenses			
Program services	13,773,436	-	13,773,436
Management and general	1,175,843	-	1,175,843
Fundraising	1,968,826	-	1,968,826
Total expenses	16,918,105	-	16,918,105
Changes in net assets	(237,182)	(157,613)	(394,795)
Net assets at beginning of year	73,282,990	2,245,995	75,528,985
Net assets at end of year	\$ 73,045,808	\$ 2,088,382	\$ 75,134,190

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

Houston Society for the Prevention of Cruelty to Animals Statement of Functional Expenses

<i>For the year ended December 31, 2024</i>	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 6,167,577	\$ 359,080	\$ 371,589	\$ 6,898,246
Benefits, training, and taxes	1,128,242	63,035	45,320	1,236,597
Total personnel expenses	7,295,819	422,115	416,909	8,134,843
Health care and supplies	1,857,426	329	794	1,858,549
Contract veterinary and deputy services	816,355	-	-	816,355
Education and community outreach	142,462	6,167	1,301,927	1,450,556
Technology and other administrative support	302,374	227,553	297,945	827,872
Maintenance and security	935,010	115	-	935,125
Insurance	444,946	15,214	22,406	482,566
Depreciation	1,361,186	-	-	1,361,186
Bad debt recovery	-	(26,065)	-	(26,065)
Utilities and occupancy	496,191	43,342	6,152	545,685
Vehicles	184,994	2,576	-	187,570
Total expenses	\$ 13,836,763	\$ 691,346	\$ 2,046,133	\$ 16,574,242

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

Houston Society for the Prevention of Cruelty to Animals Consolidated Statement of Functional Expenses

<i>For the year ended December 31, 2023</i>	Program Services	Management and General	Fundraising	Total
Personnel expenses				
Salaries	\$ 6,247,374	\$ 340,488	\$ 419,630	\$ 7,007,492
Benefits, training, and taxes	1,085,105	89,075	54,740	1,228,920
Total personnel expenses	7,332,479	429,563	474,370	8,236,412
Health care and supplies	1,982,163	1,679	1,915	1,985,757
Contract veterinary and deputy services	351,616	-	-	351,616
Education and community outreach	430,745	-	1,185,600	1,616,345
Technology and other administrative support	265,090	210,565	278,205	753,860
Maintenance and security	911,190	44	-	911,234
Insurance	355,306	13,043	25,497	393,846
Depreciation	1,385,735	-	-	1,385,735
Bad debt expense	-	514,000	-	514,000
Utilities	531,903	3,640	3,239	538,782
Vehicles	227,209	3,309	-	230,518
Total expenses	\$ 13,773,436	\$ 1,175,843	\$ 1,968,826	\$ 16,918,105

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

Houston Society for the Prevention of Cruelty to Animals Statement of Cash Flows and Consolidated Statement of Cash Flows

<i>For the years ended December 31,</i>	2024	(Consolidated) 2023
Operating Activities		
Changes in net assets	\$ 2,198,207	\$ (394,795)
Adjustments to reconcile change in net assets to net assets provided by operating activities		
Donated stock	(324,564)	-
Net realized and unrealized gains on investments	(1,847,704)	(2,885,424)
Bad debt expense	-	514,000
Depreciation	1,361,186	1,385,735
Gain on disposal of property and equipment	(3,205)	(7,625)
Amortization of operating lease right-of-use asset	11,717	-
Donated property and equipment capitalized	(23,312)	-
Changes in operating assets and liabilities		
Promises to give	(284,203)	(357,330)
Promises to give - capital campaign	206,000	785,646
Other receivables	(422,320)	513,675
Employee retention tax credit receivable	-	1,292,427
Prepaid expenses	43,628	164,102
Accounts payable	71,050	115,862
Accrued payroll and benefits	87,336	16,564
Operating lease liability	(11,704)	-
Deferred revenue	-	(3,500)
Net cash provided by operating activities	1,062,112	1,139,337
Investing Activities		
Proceeds from sales of investments	28,692,991	5,254,412
Purchases of investments and reinvested earnings	(29,375,513)	(9,970,125)
Purchases of property and equipment	(295,449)	(315,859)
Proceeds from sales of property and equipment	3,205	7,625
Net cash used in investing activities	(974,766)	(5,023,947)
Net change in cash and cash equivalents	87,346	(3,884,610)
Cash and cash equivalents at beginning of year	3,145,213	7,029,823
Cash and cash equivalents at end of year	\$ 3,232,559	\$ 3,145,213
Non-cash operating activity		
Right of use asset obtained through operating lease liability	\$ 73,461	\$ -

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

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 1: ORGANIZATION AND NATURE OF BUSINESS

Houston Society for the Prevention of Cruelty to Animals (Houston SPCA) was founded in 1924 and is the oldest and largest animal protection agency in the Gulf Coast area, providing sheltering, adoption, humane education, and cruelty relief services to more than 40,000 animals a year. The mission for the Houston SPCA is to improve and protect the lives of animals in our community and to alleviate their suffering and abuse.

The Wildlife Center of Texas (Wildlife Center), a wholly owned subsidiary of Houston SPCA, was formed in 1992 to meet the increasing need for wildlife assistance in the Greater Houston and Upper Gulf Coast. The mission of Wildlife Center is to care for injured, ill, and orphaned wildlife through rehabilitation, public education, and release.

During 2024 both organizations entered into an agreement and plan of merger filed with the State of Texas to merge The Wildlife Center with Houston Society for the Prevention of Cruelty to Animals as Houston Society for the Prevention of Cruelty to Animals being the surviving or receiving organization. As entities under common control the receiving entity shall present the statement of financial position and other financial information as of the beginning of the period, January 1, 2024, as though the assets and liabilities had been transferred at that date. There were no material changes to prior presented consolidated balances and there were no material adjustments to conform the accounting policies of the combining organizations.

The Organization is funded primarily by donations.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

The 2023 consolidated financial statements include Houston SPCA and its wholly owned subsidiary, Wildlife Center (collectively, the Organization). All significant inter-entity balances and transactions have been eliminated.

Basis of Accounting

The accompanying financial statements and consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Financial Accounting Standards Board (FASB) provides authoritative guidance regarding U.S. GAAP through the Accounting Standards Codification (ASC) and related Accounting Standards Updates (ASUs).

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of U.S. GAAP financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and changes therein, 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 vary from the estimates. Estimates that are particularly susceptible to significant change in the near term are related to contributions of non-financial assets and allocation of functional expenses.

Cash and Cash Equivalents

Cash and cash equivalents include cash and all highly liquid investments with an original maturity of 90 days or less.

Promises to Give

Conditional promises to give are not recognized in the financial statements and consolidated financial statements until the conditions have been substantially met or explicitly waived by the donor. Amounts that are expected to be collected within one year are recorded at net realizable value. Amounts that are expected to be collected in future years are discounted to estimate the present value of future cash flows, if material. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Other Receivables

Other receivable represents amounts owed to the Organization which are expected to be collected during the next twelve months.

Allowance for Credit Losses

Management evaluates its receivables on an ongoing basis by analyzing customer relationships and previous payment histories. The allowance for credit losses is management's best estimate of the amount of expected credit losses in the existing accounts based on current market conditions. Historically, losses on uncollectible accounts have been within management's expectations. The allowance for credit losses is reviewed on a periodic basis to ensure there is sufficient reserve to cover any potential credit losses. When receivables are considered uncollectible, they are charged against the allowance for credit losses. Collections on accounts previously written off are included in the change in net assets as received. As of December 31, 2024 and 2023, there was no allowance for credit losses as management deemed all receivables to be fully collectible.

The Organization elected the practical expedient and the related accounting policy election to evaluate subsequent cash collections through March 31, 2025, for estimating expected credit losses on eligible other receivables.

Houston Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Marketable Securities

Marketable securities are recorded at fair value in the statement and consolidated statement of financial position. Investment return is reported in the statement and consolidated statement of activities as an increase in net assets without donor restriction unless the use of the income is limited by donor-imposed restrictions. Investment return whose use is restricted by the donor is reported as an increase in net assets with donor restrictions until expended in accordance with the donor-imposed restrictions.

Property and Equipment

Property and equipment are recorded at cost if purchased, or in the case of donated property, at the estimated fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment in excess of \$5,000.

Depreciation is provided by the straight-line method over the following useful lives:

Building and improvements	30-40 years
Property improvements	20 years
Furniture and equipment	3-10 years

Routine maintenance and repairs are expensed in the year incurred. Expenditures, which materially increase values or extend useful lives of property and equipment, are capitalized.

Leases

The Organization leases office equipment. Management determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) asset and operating lease liability in the accompanying statement of financial position and consolidated statement of financial position.

ROU asset represents the Organization's right to use an underlying asset for the lease term and lease liability represents the Organization's obligation to make lease payments arising from the lease. Operating lease ROU asset and liability are recognized at the commencement date based on the present value of lease payments over the lease term. As the lease does not provide an implicit rate, management has elected as a practical expedient, to use the risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets

Long-lived assets are evaluated for impairment in accordance with generally accepted accounting principles, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. This review requires significant judgments both in assessing events and circumstances as well as estimating future cash flows. Should events indicate that any of the assets are impaired, the amount of such impairment will be measured as the difference between the carrying value and the fair value of the impaired asset and the impairment will be recorded in earnings during the period of such impairment. Management believes no impairment has occurred with respect to long-lived assets at December 31, 2024 and 2023.

Fair Value Considerations

Cash and cash equivalents, promises to give, receivables, marketable securities, and payables are carried in the accompanying statement and consolidated statement of financial position at amounts which reasonably approximate fair value.

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 are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be perpetual in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements and consolidated financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Revenue Recognition

Program fees collected for admissions, adoptions, and other programs (which are recorded as fees for services and other income in the statement and consolidated statement of activities) are accounted for under ASC Topic 606, *Revenue from Contracts with Customers* (ASC 606) as exchange transactions, and revenue is recognized when the performance obligations under the terms of the contracts with customers are satisfied. Revenues from admissions, wellness center and adoptions are recognized at the point in time the service is provided. Revenue from Critter Camp (a summer educational youth program) is recognized when the camps are held.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Organization has entered into an agreement with a university for veterinarian education and training program. Revenue from this program is recognized over time, as the program is conducted by the Organization each school year which spans over two of the Organization's fiscal years. Revenue for this program is recorded in other income in the statement and consolidated statement of activities, and totaled \$804,913 and \$743,136 for the years ended December 31, 2024 and 2023, respectively. Receivables due from the university totaled \$489,999 and \$62,983 at December 31, 2024 and 2023, respectively and included in other receivables in accompanying statement and consolidated statement of financial position. Receivables due from the university totaled \$181,354 at January 1, 2023.

Contributions are recognized when cash, other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly removed the restriction.

Fundraising revenue, which includes the Organization's annual gala, represents the amounts paid by donors, sponsors, and attendees of fundraising events and are comprised of an exchange element based upon the direct benefits donors receive, and a contribution element for the difference. Revenue equal to the fair value of the direct benefits to donors is recognized when the fundraising event takes place. The contribution element of fundraising revenue is recognized immediately. The cost of direct donor benefits totaled \$145,100 and \$73,200 for the years ended December 31, 2024 and 2023, respectively.

Donated Assets and Services

Donated assets are recorded as contributions at their fair value on the date of donation. Donated services are recognized as contributions if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased if not provided by donation.

A substantial number of unpaid volunteers make significant contributions of their time to develop and serve the Organization's programs. The value of the contributed time is not reflected in these statements because these services did not meet the criteria for recognition.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses that are allocated are personnel expenses, which are allocated on the basis of estimates of time and effort; technology and other administrative support, which are allocated based on the users of computers and phones; insurance, which is allocated based on average headcount; depreciation, maintenance and security, and utilities, which are allocated based on the departments benefiting from the costs; and vehicles, which are allocated based on the departments using the vehicles.

Advertising Costs

The Organization uses advertising through television, radio and other media to promote its programs in the area it serves. Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2024 and 2023, totaled \$169,620 and \$55,881, respectively.

Houston Society for the Prevention of Cruelty to Animals

Notes to Financial Statements

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal Income Taxes

Houston SPCA and Wildlife Center are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for federal income tax has been made in these financial statements and consolidated financial statements.

The Organization utilizes the accounting requirements associated with uncertainty in income taxes using the provisions of FASB ASC 740, *Income Taxes*. Using that guidance, tax positions initially need to be recognized in the financial statements and consolidated 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 recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. As of December 31, 2024 and 2023, the Organization has no uncertain tax provisions that qualify for recognition or disclosure in the financial statements and consolidated financial statements.

Recent Accounting Pronouncement

In July 2025, the FASB issued ASU 2025-05, Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Accounts Receivable and Contract Assets. Under the amendments of this ASU, entities may elect a practical expedient that assumes that conditions as of the statement of financial position date do not change for the remaining life of the assets and (2) an entity that elects the practical expedient is permitted to make an accounting policy election to consider collection activity after the statement of financial position date when estimating expected credit losses for current accounts receivable and contract assets arising from transactions accounted for under FASB ASC 606, Revenue from Contracts with Customers. The Organization adopted the available practical expedient available under ASU 2025-05 on January 1, 2024. The impact of the adoption was not considered material to the financial statements and primarily resulted in enhanced disclosures only.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 10, 2025 and determined that 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.

NOTE 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY

The Organization has a strong financial base with access to liquid funds. The Organization has \$42,247,369 available to meet cash needs, with \$32,247,369 of liquid financial assets and \$10,000,000 of available Line of Credit with Cadence Bank as of December 31, 2024. The Organization had \$38,598,710 available to meet cash needs, with \$28,598,710 of liquid financial assets and \$10,000,000 of available Line of Credit with Cadence Bank as of December 31, 2023. The Organization has been able to achieve this strong position over the years by investing its cash in excess of daily requirements into a balanced portfolio of marketable securities. The marketable securities are designed to fund the long-term needs of the Organization, but can be made immediately available if an unforeseen liquidity need emerged.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

NOTE 3: LIQUIDITY AND FINANCIAL ASSET AVAILABILITY (Continued)

The following table reflects the Organization's financial assets, reduced by amounts not available for general expenditures within one year.

<i>December 31,</i>	2024	(Consolidated) 2023
Total assets at year end	\$ 78,116,792	\$ 75,698,442
Less non-financial assets		
Prepaid expenses	(88,885)	(132,513)
Operating lease right-of-use asset, net	(61,744)	-
Property and equipment	(44,495,470)	(45,537,895)
Financial assets at year-end	33,470,693	30,028,034
Less those unavailable for general expenditure within one year due to:		
Promises to give restricted to capital, current and long-term	(2,000)	(208,000)
Marketable securities restricted to endowment - perpetual in nature	(1,221,324)	(1,221,324)
Financial assets available to meet cash needs for general expenditures within one year	\$ 32,247,369	\$ 28,598,710

Note 4: PROMISES TO GIVE

Promises to give consist of the following:

<i>December 31,</i>	2024	(Consolidated) 2023
Due in less than one year	\$ 779,195	\$ 1,214,992
Less: Allowance for doubtful accounts	-	(514,000)
Total promises to give, net	\$ 779,195	\$ 700,992

Note 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2: Significant other observable inputs other than Level 1 prices, such as:

- 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; or
 - can be corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2024 and 2023.

Corporate stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Organization are deemed to be actively traded.

Money market funds: Valued at the daily closing net asset value (NAV) as reported by the fund.

Corporate bonds: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Asset-backed securities and U.S. government or agency obligations: Valued using recent executed transactions and market price quotations and asset-backed securities which are valued by the custodian using pricing models that utilize variables such as yield curves, prepayment speeds, default rates, loss severity, interest rate volatilities and spreads.

U.S. Treasury notes: Valued using the active market price involving identical or comparable assets or liabilities.

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 Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in different fair value measurements at the reporting date.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 5: INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Management evaluated the significance of transfer between levels based upon the nature of the financial instrument and size of the transfer relative to total assets. For the year ended December 31, 2024, there were no significant transfers in or out of Levels 1, 2 or 3.

The values of assets measured at fair value on a recurring basis are as follows:

	Quoted Market Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
December 31, 2024				
Mutual funds	\$ 19,147,955	\$ 2,628,456	\$ -	\$ 21,776,411
Corporate bonds	-	3,631,033	-	3,631,033
U.S. Treasury notes	3,561,496	-	-	3,561,496
Total marketable securities	\$ 22,709,451	\$ 6,259,489	\$ -	\$ 28,968,940
December 31, 2023 (Consolidated)				
Money market funds	\$ 5,114,724	\$ -	\$ -	\$ 5,114,724
Corporate stocks	15,848,082	-	-	15,848,082
Mutual funds	2,494,262	-	-	2,494,262
Corporate bonds	-	1,026,685	-	1,026,685
Asset-backed securities	-	1,136,989	-	1,136,989
U.S. government or agency obligations	-	493,408	-	493,408
Total marketable securities	\$ 23,457,068	\$ 2,657,082	\$ -	\$ 26,114,150

The Houston SPCA held certain investments with UBS Financial Services, Inc. which were transferred to Goldman Sachs & Co. LLC in 2024, to be held for the exclusive benefit of the Houston SPCA. The Houston SPCA retains all rights to these funds and paid administrative fees totaling \$76,225 and \$96,868, for the years ended December 31, 2024 and 2023, respectively.

Investments are exposed to various risks such as interest rate risk, market and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement and consolidated statement of financial position and the statement and consolidated statement of activities.

NOTE 6: LEASES

The Organization has an operating lease for office equipment that expires in 2029.

Operating lease cost totaled \$14,277 for the year ended December 31, 2024. There were no operating lease costs for the year ended December 31, 2023.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

NOTE 6: LEASES (Continued)

Future minimum payments under non-cancelable operating lease agreements at December 31, 2024 are as follows:

<i>For the years ending December 31,</i>			
	2025	\$	15,560
	2026		15,560
	2027		15,560
	2028		15,560
	2029		5,187
Total future minimum lease payments			67,427
Less imputed interest			(5,670)
Present value of lease liability			\$ 61,757

Reported as of December 31,	2024		2023
Current maturity of operating lease liability	\$ 15,560	\$	-
Operating lease liability, less current maturity	46,197		-
Total operating lease liability	\$ 61,757	\$	-

Other information related to leases is as follows:

<i>For the years ended December 31,</i>	2024		2023
Supplemental Cash Flows Information			
Cash paid for amounts included in the measurement of lease liability:			
Operating cash flows from operating lease	\$ 14,264	\$	-
Weighted average remaining lease term			
Operating lease	4.25 years		N/A
Weighted average discount rate			
Operating lease	4.10%		N/A

Note 7: LINE OF CREDIT

On June 15, 2016, Houston SPCA entered into a revolving line of credit agreement with Cadence Bank totaling \$10,000,000 to finance the construction of certain real property in Houston, Texas. The line of credit is collateralized by property owned by Houston SPCA in Harris County, Texas. Borrowings under the credit agreement bear interest at the greater of the effective index rate or 3.50%, and are payable monthly. The line of credit was extended in December 2020, with borrowings bearing interest rate at fixed rate of 3.125%. The line of credit, as amended, matures on December 10, 2025, when all outstanding principal is due. Funds will be drawn as needed.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 7: LINE OF CREDIT (Continued)

The terms of the line of credit require Houston SPCA to comply with certain reporting and financial covenants. There were no borrowings or outstanding balance at December 31, 2024 and 2023 on the line of credit.

Note 8: NET ASSETS RELEASED FROM RESTRICTIONS

Net assets totaling \$672,929 and \$816,251 were released from donor restrictions for the years ended December 31, 2024 and 2023 by incurring expenses satisfying the restricted purpose or by occurrence of events specified by the donors for the years ended December 31, 2024 and 2023, respectively.

Note 9: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

<i>December 31,</i>	(Consolidated)	
	2024	2023
Subject to expenditure for specific purpose		
Disaster relief	\$ 558,934	\$ 612,985
Programs	273,908	254,073
Subject to the Organization's spending policy and appropriation -		
Perpetual endowment fund	1,221,324	1,221,324
Total net assets with donor restrictions	\$ 2,054,166	\$ 2,088,382

Note 10: ENDOWMENT

The Organization has donor-restricted endowment funds which are maintained in accordance with explicit donor stipulations. The Organization is subject to the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) which has been enacted by the State of Texas. Management of the Organization has interpreted TUPMIFA 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 the interpretation, the Organization classifies as net assets with donor restriction - perpetual in nature (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, and (c) accumulation to the donor-restricted endowment made in accordance with the direction of the applicable donor gift at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets donor restricted - perpetual in nature is available for expenditure and appropriated by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 10: ENDOWMENT (Continued)

In accordance with TUPMIFA, the Organization considers the following factors in making determination to appropriate accumulated 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 and objectives of the Organization

The Walter O. Caldwell, Jr. Fund Endowment and Melvin Davis Fund Endowment (collectively, the "Endowments") were established to support the Organization and its mission into the future. These Endowments are held with an investment management firm. It was the Board of Directors' objective not to be involved in the day-to-day investing of funds and to rely on the expertise of the investment management firm and their investment policy, objectives and guidelines. Under this policy, the endowment assets are invested in accordance with the investment policies approved by the Board of Directors.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor requires the Organization to retain as a fund of perpetual duration. No deficiencies of this nature exist as of December 31, 2024 and 2023.

Houston SPCA's Board of Directors has established an Investment Portfolio Strategy policy. The Houston SPCA Finance Committee reviews the distribution policy at least annually and make recommendations to the Board of Directors based on their review. This policy does not include the Melvin Davis Fund or the Caldwell Fund.

Endowment net assets consisted of the following:

<i>December 31,</i>	(Consolidated)	
	2024	2023
Donor-restricted endowment funds - original donor restricted		
gift amount required to be retained by the donor	\$ 1,221,324	\$ 1,221,324
	\$ 1,221,324	\$ 1,221,324

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 10: ENDOWMENT (Continued)

Changes in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023 (Consolidated)	\$ (24,829)	\$ 1,221,324	\$ 1,196,495
Contributions	-	-	-
Investment return			
Investment income, net	3,291	-	3,291
Net appreciation	21,538	-	21,538
Amounts appropriated for expenditure	-	-	-
Endowment net assets, December 31, 2023 (Consolidated)	\$ -	\$ 1,221,324	\$ 1,221,324
Contributions	-	-	-
Investment return			
Investment income, net	11,864	-	11,864
Net appreciation	34,524	-	34,524
Amounts appropriated for expenditure	(46,388)	-	(46,388)
Endowment net assets, December 31, 2024	\$ -	\$ 1,221,324	\$ 1,221,324

Note 11: CONTRIBUTED NON-FINANCIAL ASSETS

Contributed non-financial assets recognized within the statement and consolidated statement of activities included:

<i>December 31,</i>	2024	(Consolidated) 2023
Donated animal food	\$ 317,222	\$ 332,421
Donated services (Sheriff's deputies)	82,827	-
Technical support and software services	25,329	18,210
Donated property and equipment	23,312	-
Special event related donations	-	31,680
Maintenance services	-	2,072
	\$ 448,690	\$ 384,383

During 2024 and 2023, the Organization recognized contributed nonfinancial assets within revenue, including donated animal food, donated services (Sheriff's deputies), donated property and equipment, special event related donations, technical support and software services and maintenance services. There were no donor-imposed restrictions on any of the donations and all donations were able to be used by the Organization.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 11: CONTRIBUTED NON-FINANCIAL ASSETS (Continued)

The Organization received donated animal food from various donors. These donations were provided at no cost to the Organization, using current market rates provided by the donors, the Organization would have paid \$317,222 and \$332,421 for the years ended December 31, 2024 and 2023, respectively.

The Organization was provided services by Sheriff's deputies at no cost for operational purposes. Based on the current market rates provided by the donor for these services, the Organization would have paid \$82,827 for the year ended December 31, 2024.

The Organization was provided technical support and software services at no cost for operational purposes. Based on the current market rates for these services, the Organization would have paid \$25,329 and \$18,210 for the years ended December 31, 2024 and 2023, respectively.

During the year 2024, the Organization received a donated vehicle from a donor for operational use. Based on the current market rates for this vehicle, the Organization would have paid \$23,312. The donated vehicle was capitalized.

Special event related donations were utilized for development and are valued based on the invoices received from the vendors. Various local businesses donated materials and services totaling \$31,680 to the Organization for the year ended December 31, 2023.

The Organization was provided generator maintenance services at no cost for operational purposes. Based on the current market rates for these services, the Organization would have paid \$2,072 for the year ended December 31, 2023.

Note 12: CONCENTRATIONS

At times throughout the years, the Organization may maintain certain bank accounts in excess of the Federal Deposit Insurance Corporation insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of the federally insured limit. Management believes that it is not exposed to any significant credit risk on cash accounts due to the strength of the financial institutions in which the funds are held. As of December 31, 2024 and 2023, the Organization has approximately \$2,700,000 in deposits with financial institutions in excess of FDIC insurance limits.

For the year ended December 31, 2024, one donor accounted for 13% of total revenue. For the year ended December 31, 2023, no donors accounted for 10% of total revenue.

As of December 31, 2024, amounts due from one donor accounted for 19% of outstanding promises to give. As of December 31, 2023, amounts due from one donor accounted for 29% of net outstanding promises to give.

Houston Society for the Prevention of Cruelty to Animals Notes to Financial Statements

Note 13: DEFINED CONTRIBUTION PLAN

The Organization provides a defined contribution plan under Section 403(b) of the Internal Revenue Code. Under the plan, eligible employees may contribute up to eighty-five percent of their salary but not to exceed the legal limit. The Organization's match is equal to fifty percent of eligible employee contributions up to a maximum contribution of three percent of the participant's compensation. The Organization contributed \$65,637 and \$66,983 for the years ended December 31, 2024 and 2023, respectively.