HUMANE SOCIETY OF NORTH TEXAS

AUDITED FINANCIAL STATEMENTS

Years Ended December 31, 2025 and 2024
With Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Humane Society of North Texas

Opinion

We have audited the accompanying financial statements of the Humane Society of North Texas (a nonprofit organization), 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 the Humane Society of North Texas as of December 31, 2025 and 2024, and the changes in the net assets and 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 audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Humane Society of North Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humane Society of North Texas's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 the Humane Society of North Texas'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 Humane Society of North Texas to continue as 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.

J. Taylor & Associates, LLC

Fort Worth, Texas
July 21, 2026

HUMANE SOCIETY OF NORTH TEXAS
Statements of Financial Position
Years Ended December 31, 2025 and 2024

	2025	2024
Assets		
Cash and cash equivalents	$ 2,711,700	$ 1,058,246
Pledges receivable	105,743	115,786
Grants and other receivables	68,838	101,665
Employer Retention Credit receivable	-	532,125
Prepaid expenses and other current assets	66,044	43,858
Investments	8,164,302	6,755,450
Beneficial interest in charitable trusts	1,350,149	1,352,023
Mineral interest	1,622,565	1,622,565
Operating lease right-of-use asset	205,214	29,783
Land, buildings, and equipment, net	2,588,696	2,892,750
Total Assets	$ 16,883,251	$ 14,504,251
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 144,688	$ 187,010
Accrued liabilities	321,860	335,660
Current portion of operating lease obligations	116,085	25,429
Total current liabilities	582,633	548,099
Operating lease obligations, net of current portion	89,129	4,354
Total liabilities	671,762	552,453
Net assets		
Without donor restrictions	13,411,671	12,733,761
With donor restrictions	2,799,818	1,218,037
Total net assets	16,211,489	13,951,798
Total Liabilities and Net Assets	$ 16,883,251	$ 14,504,251

See accompanying notes to the financial statements.

HUMANE SOCIETY OF NORTH TEXAS
Statements of Activities
Years Ended December 31, 2025 and 2024

	2025			2024		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Public support	$ 4,084,008	$ 1,828,535	$ 5,912,543	$ 2,786,382	$ 765,511	$ 3,551,893
Bequests	1,117,377	-	1,117,377	430,130	-	430,130
In-kind contributions	297,769	-	297,769	222,293	-	222,293
Program revenue	1,466,497	-	1,466,497	1,533,901	-	1,533,901
Investment income	936,143	18,501	954,644	889,560	4,537	894,097
Other income	818,973	-	818,973	224,666	-	224,666
Net assets released from restrictions	265,255	(265,255)	-	874,995	(874,995)	-
Total support and revenue	8,986,022	1,581,781	10,567,803	6,961,927	(104,947)	6,856,980
Expenses						
Program services						
Animal care	6,210,626	-	6,210,626	6,501,720	-	6,501,720
Cruelty investigations	108,621	-	108,621	206,916	-	206,916
Community outreach	832,533	-	832,533	758,210	-	758,210
Total program services	7,151,780	-	7,151,780	7,466,846	-	7,466,846
General and administrative	524,348	-	524,348	594,416	-	594,416
Fundraising	631,984	-	631,984	658,563	-	658,563
Total expenses	8,308,112	-	8,308,112	8,719,825	-	8,719,825
Change in net assets	677,910	1,581,781	2,259,691	(1,757,898)	(104,947)	(1,862,845)
Net assets at beginning of year	12,733,761	1,218,037	13,951,798	14,491,659	1,322,984	15,814,643
Net assets at end of year	$ 13,411,671	$ 2,799,818	$ 16,211,489	$ 12,733,761	$ 1,218,037	$ 13,951,798

See accompanying notes to the financial statements.

HUMANE SOCIETY OF NORTH TEXAS
Statement of Functional Expenses
Year Ended December 31, 2025

	Program Services				Supporting Services		
	Animal Care	Cruelty Investigations	Community Outreach	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 3,113,825	$ 62,642	$ 346,762	$ 3,523,229	$ 239,526	$ 336,959	$ 4,099,714
Payroll taxes	223,042	4,689	25,894	253,625	24,186	24,080	301,891
Employee benefits	411,957	8,419	46,651	467,027	51,511	22,334	540,872
Total salaries and related expenses	3,748,824	75,750	419,307	4,243,881	315,223	383,373	4,942,477
Advertising and promotion	249,810	-	242	250,052	-	11,364	261,416
Bank fees	16,969	14	8,365	25,348	1,912	32,308	59,568
Contract services	300,510	600	34,283	335,393	156,257	80,789	572,439
Equipment	53,414	2,099	5,068	60,581	5,549	560	66,690
Insurance	160,936	-	887	161,823	2,845	(1,452)	163,216
Maintenance and repairs	78,056	4,607	4,001	86,664	3,261	-	89,925
Miscellaneous	126,954	1,941	87,851	216,746	10,108	45,426	272,280
Occupancy costs	107,603	-	19,482	127,085	13,765	4,912	145,762
Printing and postage	11,198	675	1,488	13,361	460	64,781	78,602
Seminars and training	18,921	850	274	20,045	4,966	6,232	31,243
Supplies	748,898	3,865	227,773	980,536	247	450	981,233
Telephone	43,758	1,204	2,099	47,061	2,660	1,730	51,451
Utilities	102,177	7,968	16,611	126,756	2,161	1,080	129,997
Vehicle and travel	62,353	1,812	1,681	65,846	18	431	66,295
Total expenses before depreciation and amortization	5,830,381	101,385	829,412	6,761,178	519,432	631,984	7,912,594
Depreciation and amortization	380,245	7,236	3,121	390,602	4,916	-	395,518
Total expenses	$ 6,210,626	$ 108,621	$ 832,533	$ 7,151,780	$ 524,348	$ 631,984	$ 8,308,112

See accompanying notes to the financial statements.

HUMANE SOCIETY OF NORTH TEXAS
Statement of Functional Expenses
Year Ended December 31, 2024

	Program Services				Supporting Services		
	Animal Care	Cruelty Investigations	Community Outreach	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 3,472,607	$ 132,421	$ 334,639	$ 3,939,667	$ 310,366	$ 386,531	$ 4,636,564
Payroll taxes	238,949	8,753	22,656	270,358	19,353	26,120	315,831
Employee benefits	436,488	16,361	43,417	496,266	40,912	25,375	562,553
Total salaries and related expenses	4,148,044	157,535	400,712	4,706,291	370,631	438,026	5,514,948
Advertising and promotion	191,157	-	3,749	194,906	-	16,109	211,015
Bank fees	18,437	-	6,052	24,489	2,534	24,714	51,737
Contract services	301,043	4,318	37,185	342,546	134,199	484	477,229
Equipment	47,944	2,088	6,461	56,493	4,370	560	61,423
Insurance	258,014	3,396	4,697	266,107	8,098	4,035	278,240
Maintenance and repairs	66,885	3,566	4,448	74,899	4,786	-	79,685
Miscellaneous	128,643	4,500	37,338	170,481	24,062	69,070	263,613
Occupancy costs	30,137	-	17,137	47,274	25,046	4,503	76,823
Printing and postage	7,972	163	1,827	9,962	899	83,537	94,398
Seminars and training	21,004	420	225	21,649	2,267	10,180	34,096
Supplies	686,066	1,096	216,200	903,362	570	885	904,817
Telephone	61,840	2,614	2,525	66,979	5,375	4,027	76,381
Utilities	104,744	6,876	14,753	126,373	5,360	1,072	132,805
Vehicle and travel	64,214	4,060	1,680	69,954	124	1,361	71,439
Total expenses before depreciation and amortization	6,136,144	190,632	754,989	7,081,765	588,321	658,563	8,328,649
Depreciation and amortization	365,576	16,284	3,221	385,081	6,095	-	391,176
Total expenses	$ 6,501,720	$ 206,916	$ 758,210	$ 7,466,846	$ 594,416	$ 658,563	$ 8,719,825

See accompanying notes to the financial statements.

HUMANE SOCIETY OF NORTH TEXAS
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	2025	2024
Cash flows from operating activities		
Change in net assets	$ 2,259,691	$ (1,862,845)
Adjustments to reconcile change in net assets to net cash provided by / (used in) operating activities:		
Write-off of abandoned construction in progress	48,786	-
Depreciation and amortization	513,526	391,176
Unrealized gain on charitable trusts	(71,042)	(39,921)
Realized gain on sale of property	(423,513)	(5,974)
Realized gain on sale of investments	(606,840)	(470,571)
Unrealized gain on investment	(105,079)	(256,333)
Change in operating assets and liabilities:		
Pledges receivable	10,043	240,807
Grants and other receivables	32,827	2,823
Employer Retention Credit receivable	532,125	-
Prepaid expenses and other current assets	(22,186)	40,437
Mineral interest	-	(24,464)
Operating right-of-use asset	(293,439)	98,244
Accounts payable	(42,322)	(41,189)
Accrued liabilities	(13,800)	(116,758)
Operating lease obligations	175,431	(98,244)
Net cash provided by / (used in) operating activities	1,994,208	(2,142,812)
Cash flows from investment activities		
Proceeds from sale of investments	3,669,592	2,209,481
Purchases of investments	(4,366,525)	(702,883)
Proceeds from sale of land, buildings, and equipment	641,379	38,024
Purchases of land, buildings, and equipment	(358,116)	(407,618)
Distributions from charitable trusts	72,916	19,958
Net cash provided by / (used in) investing activities	(340,754)	1,156,962
Net increase / (decrease) in cash and cash equivalents	1,653,454	(985,850)
Cash and cash equivalents at beginning of year	1,058,246	2,044,096
Cash and cash equivalents at end of year	$ 2,711,700	$ 1,058,246
Noncash financing activities		
Right-of-use asset	$ 246,333	$ -
Lease obligations	$ 246,333	$ -

See accompanying notes to the financial statements.

A. Nature of Activities

Since 1905, the Humane Society of North Texas (the "Society") has worked to eliminate animal cruelty, promote humane values, and end animal homelessness in North Texas. The Society is a nonprofit organization incorporated under the laws of the state of Texas and is not affiliated with any national animal welfare organization. As an independent nonprofit organization, the Society relies on the generosity of the public to help ensure there is a safe place for abused, injured, and homeless animals. Its services include adoptions, spay/neuter surgeries, low-cost vaccinations, humane education, and cruelty investigations. The Society's current programs include the following:

Animal Care

The Society operated multiple adoption centers and an equine and livestock ranch where animals are cared for prior to adoption or to being returned to their owners throughout 2025 and 2024. The Society discontinued management service contracts with two governing authorities to operate pet adoption centers in 2024. All dogs, cats, and small animals in the Society's care receive appropriate vaccinations and medical treatment, are microchipped, and are spayed or neutered prior to adoption. To improve the likelihood of adoption, many pets are transferred to other animal welfare organizations around the country where there is a shortage of adoptable animals.

Cruelty Investigations

The Society works with local law enforcement authorities to investigate animal cruelty cases. The Society cares for animals seized by authorities or surrendered by owners that are the subject of cruelty investigations. After being awarded custody of the animals, the Society provides for their medical, nutritional, and housing needs until they can be rehabilitated and adopted.

Community Outreach

The Society provides many outreach services to underserved areas of Fort Worth and Tarrant County. The Society operates a low-cost spay and neuter surgery clinic and provides low-cost vaccinations to the public. The Society provides free basic veterinary care to senior citizens through the Rae of Hope Program. Vouchers for free spay and neuter surgeries are also distributed to the public, where needed.

B. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Society is presented to assist in the understanding the financial statements. The financial statements and notes are representations of the Society's management, which is responsible for their integrity and objectivity.

Basis of Accounting

The Society maintains its accounts on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America ("US GAAP").

Financial Statement Presentation

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, the Society reports information regarding its financial positions and activities and changes therein as follows:

B. Summary of Significant Accounting Policies (*continued*)

Financial Statement Presentation (*continued*)

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors. However, no such designations exist at December 31, 2025 and 2024.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Generally, the donors of these assets permit the Society to use all or part of the income earned on related investments for general or specific purposes. 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.

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

Federal Income Taxes

The Society is a qualified non-profit organization and is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Society applied the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 740 Accounting for Uncertainty in Income Taxes during the years ended December 31, 2025 and 2024. Under ASC Topic 740 Accounting for Uncertainty in Income Taxes, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will be sustained. The ASC Topic Accounting for Uncertainty in Income Taxes has no impact on the Society’s financial statements. The Society does not believe there are any unrecognized tax benefits that should be recorded. For the years ended December 31, 2025 and 2024, there were no interest or penalties recorded or included in the statements of activities related to taxes. The Society is still open to examination by taxing authorities from 2022 forward.

Use of Estimates

The preparation of 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 in the financial statements and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from these estimates and assumptions. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

B. Summary of Significant Accounting Policies (*continued*)

Cash and Cash Equivalents

The Society considers all amounts held in money market accounts and underlying liquid investments with maturities of three months or less to be the cash equivalents unless such assets are unavailable for current use. The Society maintains deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The amount of cash and cash equivalents in excess of the FDIC insurance is approximately $1,467,000 and $739,000 as of December 31, 2025 and 2024, respectively. The Society has not experienced any losses related to amounts in excess of FDIC limits.

Pledges Receivable

Pledges receivable consists of amounts due from bequests. No allowance for doubtful collections or valuation allowance is recorded because management believes collection within one year is reasonably certain.

Pledge receivables are recognized as assets and contributions in the period when unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. At December 31, 2025 and 2024, the Society was not aware of any conditional promises to give that could be material to the financial statements.

Grants and Other Receivables

Grants and other receivables represent amounts due from grantors and other sources and are stated at the amount management expects to be collected. No allowance for doubtful accounts is recorded as management considers collection of all balances is reasonably certain.

Employer Retention Credit Receivable

The Employee Retention Credit ("ERC") was a robust stimulus program created by a combination of the Coronavirus Aid, Relief, and Economic Security Act, Resolving Extended Limbo for Immigrant Employees and Families Act, and the American Rescue Plan and offers the Society a refundable tax credit for retaining employees during the COVID-19 pandemic. To qualify for the ERC the Society must have experienced a 20% reduction of gross sales for the 2021 quarter as compared to the same quarter in 2019. The Society met this qualification for Quarter 1 and Quarter 2 of the year ended December 31, 2021, and has recorded a receivable in the accompanying statement of financial position of approximately $532,125 as of December 31, 2024. This amount was received in 2025.

Investments, Beneficial Interest in Charitable Trusts, and Mineral Interest

Investments which are actively traded are stated at fair value based on quoted market prices. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur. The Society maintains investments primarily at one financial institution, which may at times exceed amounts covered by insurance provided by the Securities Investor Protection Corporation ("SIPC"). As of December 31, 2025 and 2024, the amount of investments in excess of SIPC insurance was approximately $9,131,000 and $6,607,000, respectively. The Society has not experienced any losses related to amounts in excess of SIPC limits.

The Society is the sole beneficiary of certain charitable trusts and split-interest agreements. Such assets are stated at fair value based on the Society's share of the investments held by the trusts which are actively traded. Increases and decreases in fair value are recognized as gains and losses in the period in which they occur.

B. Summary of Significant Accounting Policies (*continued*)

Investments, Beneficial Interest in Charitable Trusts, and Mineral Interest (*continued*)

The Society is also a party to certain remainder trusts. Generally, these agreements require payments to other beneficiaries throughout their lifetime before the Society will become the sole beneficiary of a portion of the remaining assets. Such assets are stated at fair value based on the value of investments held by the trust which are actively traded, discounted for the present value of expected future payments to other beneficiaries. The present value discount is calculated using life expectancy tables with discount rates which were approximately 5% for 2025 and 2024. Increases and decreases in fair value are recognized as unrealized gains and losses in the period in which they occur.

Mineral interest is reported at the initial fair value of the donated mineral interest. Changes to this initial value are only recorded if management concludes the carrying value of the asset is impaired. No impairment exists at December 31, 2025 and 2024.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, or fair value at the date received if donated. The Society capitalizes all land, buildings, and equipment expenditures greater than $1,000 with useful lives greater than one year. Depreciation is calculated over the estimated useful lives of the related assets on the straight-line basis. Estimated useful lives are 10 to 30 years for the buildings and 3 to 25 years for equipment, including vehicles. Expenditures for repairs and maintenance are charged to expense as incurred, while expenditures for major renewals or betterments of buildings and equipment are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation are eliminated from respective accounts, and the resulting gain or loss is included in the statements of activities.

Lease Obligations

The Society reports leases according to FASB's ASC Topic No. 842: *Leases* ("ASC 842"), which established a right-of-use ("ROU") model requiring lessees to record a right-of-use asset ("ROU asset") and lease obligations on the balance sheet for all leases with terms longer than 12 months, retroactively effective January 1, 2021. The Society determines if an arrangement is a lease at inception. Where an arrangement is a lease, the Society determines if it is an operating lease or a finance lease. At lease commencement, the Society records a lease obligation and corresponding ROU asset. Lease obligations represent the present value of the Society's future lease payments over the expected lease term which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the Society's lease obligation is determined using its incremental collateralized borrowing rate or the risk-free rate at lease inception.

ROU assets represent its right to control the use of the leased asset during the lease and are recognized in an amount equal to the lease liability for leases with an initial term greater than 12 months. Over the lease term (operating leases only), the Society uses the effective interest rate method to account for the lease liability as lease payments are made and the ROU asset is amortized to the statement of activities in a manner that results in straight-line expense recognition.

The Society does not apply lease recognition requirements for short-term leases. During the years ended December 31, 2025 and 2024, no such short-term leases existed.

B. Summary of Significant Accounting Policies (*continued*)

Revenue Recognition

Public support and bequests received are recorded when unconditional promises to give are received. Special event income is reported net of direct costs and recognized when the event occurs. In-kind contributions are recognized when non-cash assets are received. Program revenue is recorded at the time of the animal adoption or when goods or services are provided to customers. Investment income is recognized on an accrual basis as income is earned. Income from mineral interest is recognized in the month earned.

Program revenues, which include adoption and service fees, and portions of other income and special event revenue are derived from contracts with customers as defined by ASC Topic 606, *Revenue from contracts with Customers* ("ASC 606"), further described in the Recently Adopted Accounting Pronouncements disclosure below. In accordance with ASC 606, the Society's revenue is measured based on consideration specified in contracts with customers. The Society recognizes such revenues when it satisfies a performance obligation by transferring control over an animal, product, or service to a customer. Most of these transactions involve either a single performance obligation or multiple obligations where only one is considered material to the contract. For these contracts, the Society has determined that revenue should be recognized at a point in time as control is transferred, generally at the point of adoption or delivery of goods and services. Management does not believe the Society has any significant uncertainty of revenue and cash flows resulting from the geographic location of its customers or the types of customers it pursues. Within the contract price, the Society includes an assurance-type warranty that provides a limited guarantee regarding an adopted pet's health and the quality of goods for a reasonable period after delivery.

Contract assets are the Society's right to consideration in exchange for goods or services that the Society has transferred to a customer, excluding any amount presented as a receivable. As of January 1, 2024, December 31, 2024 and 2025, no such assets existed.

Contract liabilities are the Society's obligation to transfer goods or services to a customer for which the Society has received consideration (or an amount of consideration is due) from the customer. As of January 1, 2024, December 31, 2024, and 2025, no such liabilities existed.

Functional Expenses Allocation

The costs of providing the program and supporting services have been summarized on a functional basis in the statements of activities. In most cases, expenses are assigned to a functional category based on the direct usage. Benefits and other personnel costs are indirectly allocated based on the wages for each functional category as a percentage of total wages. Depreciation is indirectly allocated based on square footage of facility space.

Concentration of Credit Risk

The investments and beneficial interest in trust are valued at fair market value and are subject to market risk. Approximately 92% and 75% of pledges receivable are due from three donors and one donor as of December 31, 2025 and 2024. Approximately 24% of total public support was received from two donors for the year ended December 31, 2025. There were no concentrations for public support for the year ended December 31, 2024.

B. Summary of Significant Accounting Policies (*continued*)

Impairment of Long-Lived Assets

The Society periodically reviews the carrying value of its long-lived assets, including land, buildings, and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized to the extent fair value of a long-lived asset is less than the carrying amount. In management's opinion, no impairment of long-lived assets exists as of December 31, 2025 and 2024.

Advertising and Promotion Costs

The Society expenses advertising costs as incurred. Expenses incurred were approximately $261,000 and $211,000 during 2025 and 2024, respectively.

C. Land, Building, and Equipment

The composition of land, buildings, and equipment at December 31, 2025 and 2024 is as follows:

	2025	2024
Land*	$ 348,847	480,057
Buildings and improvements*	4,862,035	5,128,917
Office equipment	17,448	17,448
Shelter equipment*	766,432	717,460
Vehicles	923,624	812,424
Assets not yet placed in service	1,200	50,199
Total land, buildings, and equipment	6,919,586	7,206,505
Less accumulated depreciation	(4,330,890)	(4,313,755)
Total land, buildings, and equipment, net	$ 2,588,696	$ 2,892,750

**During 2025, the Society sold their Benbrook location, which included certain Land, Buildings and Improvements, and Shelter Equipment. The Society recorded a gain on sale which is included in other income in the accompanying statement of activities.*

Depreciation expense was approximately $396,000 and $390,000 for the years ended December 31, 2025 and 2024, respectively.

D. Investments

Investments at December 31, 2025 consist of the following:

	Cost	Estimated Fair Value	Unrealized Gain or (Loss)
Marketable equity securities	$ 3,798,123	$ 5,333,398	$ 1,535,275
Hedge Funds	83,748	104,539	20,791
Tangible assets (commodities)	93,282	82,361	(10,921)
Bonds and United States Treasury notes	2,667,845	2,644,004	(23,841)
Total investments	$ 6,642,998	$ 8,164,302	$ 1,521,304

D. Investments (*continued*)

Investments at December 31, 2024 consist of the following:

	Cost	Estimated Fair Value	Unrealized Gain or (Loss)
Marketable equity securities	$ 3,001,058	$ 4,585,415	$ 1,584,357
Hedge funds	83,748	98,946	15,198
Tangible assets (commodities)	93,282	74,741	(18,541)
Bonds and United States Treasury notes	2,161,137	1,996,348	(164,789)
Total investments	$ 5,339,225	$ 6,755,450	$ 1,416,225

A reconciliation of the change in unrealized gain on investment is as follows for the years ended December 31, 2025 and 2024:

	2025	2024
Unrealized gain, beginning of year	$ 1,416,225	$ 1,159,892
Change in value of investments during the year	105,079	256,333
Unrealized gain, end of year	$ 1,521,304	$ 1,416,225

Investment income comprises the following for the years ended December 31, 2025 and 2024:

	2025	2024
Interest and dividend income	$ 220,400	$ 176,908
Realized gains on investments	606,840	470,571
Unrealized gain on investments	105,079	256,333
Unrealized gain on charitable trusts	71,042	39,921
Investment fees	(48,717)	(49,636)
Total investment income	$ 954,644	$ 894,097

E. Beneficial Interest in Charitable Trusts

The Society has been named as a beneficiary in the following trusts for the years ended December 31, 2025 and 2024:

	2025	2024
The Society is the sole beneficiary of two trusts whose investments consist primarily of bonds and United States Treasury notes. The trustees distribute earnings to the Society, which can be used for general purposes. Although the trusts are intended to be perpetual, one of the trusts expressly permits the trustee, in its sole discretion, to terminate the trust and distribute its assets to the Society. The second trust does not expressly permit such termination, but the Society reflects both trusts as unrestricted based on the conclusion that the permanent nature of the trust is an intention rather than a restriction. The Society does not expect the trusts to liquidate within the next year, and, accordingly, these assets are not available for current use.	$ 1,160,201	$ 1,177,516

E. Beneficial Interest in Charitable Trusts (*continued*)

	2025	2024
The Society maintains one-sixth interest in a trust with a fair market value of approximately $614,000 and $581,000, respectively, for the years ended December 31, 2025 and 2024. The trust consists primarily of cash and mutual funds. The Society will receive interest-only distributions on a periodic basis until such time as the trustee determines that the assets of the trust are no longer sufficient to warrant the continued administration of the trust, at which time the trustee will terminate the trust and distribute its assets of the trust to the beneficiaries. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.	$ 102,349	$ 96,925
The Society records its interest as a beneficiary of three trusts created by an individual estate. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.	78,090	69,057
The Society is a 50% beneficiary of the remaining portion of a trust upon the passing of other beneficiaries. The Society recognizes their remainder interest based upon the estimated present value of the assets in the trust. The Society does not expect the trust to liquidate within the next year, and, accordingly, these assets are not available for current use.	9,509	8,525
	$ 1,350,149	$ 1,352,023

F. Fair Value Measurements

For assets and liabilities measured at fair value on a recurring basis, FASB ASC Topic 820, *Fair Value Measurement*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a three-tier hierarchy that is used to identify assets and liabilities measured at fair value. The hierarchy focuses on the inputs used to measure fair value and requires that the lowest level input be used.

The three levels defined in FASB ASC Topic 820 are as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical assets or liabilities as of the reporting date.

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 active markets;
- Inputs other than quoted prices that are observable for the asset or the liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

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

F. Fair Value Measurements (*continued*)

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

The fair value measurement Level within the fair value hierarchy is based upon the lowest Level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 at December 31, 2025 and 2024.

Marketable Equity Securities, Hedge Funds, and Tangible Assets (Commodities)

The fair values of marketable equity securities, hedge funds, and tangible assets (commodities) are based on quoted market price and are classified in Level 1 of the fair value hierarchy.

Bonds and United States Treasury Notes

Bonds and United States Treasury notes have observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Society. However, they do not have quoted market prices in an active market. Therefore, these assets are classified as Level 2 of the fair value hierarchy.

Beneficial Interest in Charitable Trusts

The fair values of beneficial interest in charitable trusts, excluding the remainder trusts, are based on the Society's share of the underlying assets held by the trust, which are primarily cash, mutual funds, and bonds and United States treasury notes. The Society classifies these items as Level 2. The fair value of the remainder trusts is based on significant unobservable inputs including estimates of future cash flows and present value discount rates and is classified in Level 3 of the fair value hierarchy.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflect 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 assets measured at fair value on a recurring basis as of December 31, 2025:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	$ 5,333,398	$ -	$ -	$ 5,333,398
Hedge funds	104,539	-	-	104,539
Tangible assets (commodities)	82,361	-	-	82,361
Bonds and United States Treasury notes	-	2,644,004	-	2,644,004
Beneficial interest in charitable trusts	-	1,262,550	87,599	1,350,149
Total	$ 5,520,298	$ 3,906,554	$ 87,599	$ 9,514,451

F. Fair Value Measurements (*continued*)

Beneficial Interest in Charitable Trusts (*continued*)

The following table sets forth by Level, within the fair value hierarchy, the Society's assets measured at fair value on a recurring basis as of December 31, 2024:

	Level 1	Level 2	Level 3	Total
Marketable equity securities	$ 4,585,415	$ -	$ -	$ 4,585,415
Hedge funds	98,946	-	-	98,946
Tangible assets (commodities)	74,741	-	-	74,741
Bonds and United States Treasury notes	-	1,996,348	-	1,996,348
Beneficial interest in charitable trusts	-	1,274,441	77,582	1,352,023
Total	$ 4,759,102	$ 3,270,789	$ 77,582	$ 8,107,473

The changes in values for assets reported as Level 3 for the years ended December 31, 2025 and 2024 are as follows:

	2025	2024
Value at beginning of year	$ 77,582	$ 70,586
Change in value of assets held in trust	10,017	6,996
	$ 87,599	$ 77,582

G. Endowments

The Society's endowment funds consist of both donor-restricted endowment funds and board-designated endowment funds established to support the long-term mission of the Society. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowment funds are subject to the provisions of the Texas Uniform Prudent Management of Institutional Funds Act (TUPMIFA) and applicable donor gift instruments, while board-designated endowment funds are established at the discretion of the Board of Directors and may be modified or removed by Board action.

Donor-restricted Endowments

The Society's donor-restricted endowments consist primarily of funds established through bequests and donor contributions requiring that the principal be maintained in perpetuity. In accordance with donor stipulations and the Society's interpretation of TUPMIFA, earnings may be appropriated for expenditure in a prudent manner consistent with the purposes established by the donors.

The Society has interpreted TUPMIFA as requiring preservation of the fair value of donor-restricted endowment funds, including certain accumulations required by donor gift instruments. Accordingly, the Society classifies within net assets with donor restrictions the original value of gifts donated to the permanent endowment, subsequent donor additions, and accumulations required to be maintained pursuant to the applicable gift instruments.

Board-Designated Endowment Funds

The Society maintains certain funds that have been designated by the Board of Directors to function as endowments. These funds are invested to provide long-term growth and income in support of the Society's mission and are subject to the investment, spending, and other policies established by the Board. Because these funds are not subject to donor-imposed perpetual restrictions, the Board retains the ability to modify, appropriate, or redesignate such amounts through future Board action.

G. Endowments (*continued*)

Board-Designated Endowment Funds (*continued*)

During 2025, the Society received a grant to support equine training and rehabilitation activities. The Board of Directors designated $500,000 of the grant proceeds to function as an endowment to provide long-term support for the Society's equine training program. Because the grant does not require preservation of principal in perpetuity, the fund is not classified as a donor-restricted perpetual endowment. However, the grant remains subject to donor-imposed purpose restrictions. Accordingly, unexpended amounts and related investment earnings are reported within net assets with donor restrictions and are released from restriction as qualifying equine program expenditures are incurred.

Investment Return Objectives, Risk Parameters, and Strategies

The Society has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding for Society operations supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution with acceptable levels of risk.

For the Society's current endowment funds, substantially all interest and dividend income, net of fees, is appropriated as it is earned.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities and mutual funds, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions for operations. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Underwater Endowment Funds

As of December 31, 2025 and 2024, certain donor-restricted endowment funds had fair values below the amounts required to be maintained in accordance with donor stipulations. Such deficiencies resulted primarily from the appropriation of earnings for expenditures, investment management fees, and unfavorable market fluctuations. The aggregate deficiency totaled approximately $34,286 and $29,723 at December 31, 2025 and December 31, 2024, respectively.

Changes in Endowment Net Assets

The following discloses changes in total endowment fund net assets for the year ended December 31, 2025:

	Board-Designated Endowment	Donor-restricted Perpetual Endowment	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	$ 951,049	$ 951,049
Deposits	500,000	-	500,000
Net realized and unrealized gains	-	18,501	18,501
Interest and dividend income	-	39,270	39,270
Amounts appropriated for expenditure	-	(39,070)	(39,070)
Investment fees	-	(4,763)	(4,763)
Endowment net assets, end of year	$ 500,000	$ 964,987	$ 1,464,987

G. Endowments (*continued*)

Changes in Endowment Net Assets (*continued*)

The following discloses changes in total endowment fund net assets for the year ended December 31, 2024:

	Board-Designated Endowment	Donor-restricted Perpetual Endowment	Total Endowment Net Assets
Endowment net assets, beginning of year	$ -	$ 952,020	$ 952,020
Net realized and unrealized gains	-	4,537	4,537
Interest and dividend income	-	36,918	36,918
Amounts appropriated for expenditure	-	(37,715)	(37,715)
Investment fees	-	(4,711)	(4,711)
Endowment net assets, end of year	$ -	$ 951,049	$ 951,049

H. Restrictions on Net Assets

Net assets with donor restrictions were restricted for the following purposes as of December 31, 2025 and 2024:

	2025	2024
Animal Care	$ 2,107	$ 13,833
Endowment	1,464,987	951,049
Cruelty Investigations program	-	875
Equine related activities	1,154,884	101,468
Rae of Hope program funds	460	2,995
Transportation	14,250	18,400
Contract behaviorists	16,153	8,220
Preparing animals for adoption	87,637	83,157
Sponsorship	1,040	1,040
Job Placement Program	37,000	37,000
Shelter Assessment	21,300	-
	$ 2,799,818	$ 1,218,037

I. Employee Benefit Plan

Effective January 1, 2020, the Society has adopted the Humane Society of North Texas 401(k) Plan (the Plan) to help its employees save for retirement. Most employees of the Society who are at least 21 years of age and have worked for the Society for at least six months will be eligible to participate in the Plan. The Society may make discretionary matching contributions to the Plan.

Employees will be entitled to receive any such matching contributions if the employee is employed on the last day of the year and worked at least 1,000 hours during the year for the Society. Employees become vested in the matching and employer contribution amounts under a 5-year graded vesting schedule, with vesting increasing by 20% in each year. Costs incurred by the Society related to employer contributions approximated $44,000 and $56,000 during the years ended December 31, 2025 and 2024, respectively.

J. Operating Lease Liability

The Society leases real property and other equipment under various operating lease agreements with unrelated third parties. The Society's leases generally have remaining terms of one to three years.

The Society determines if a contract contains a lease at inception. Operating lease liabilities represent the present value of lease payments not yet paid. Operating lease assets represent the right-of-use of an underlying asset and are based upon the operating lease liabilities adjusted for prepayments or accrued lease payments, initial direct costs, lease incentives, and impairment of operating lease assets. The present value of the Society's lease obligations were determined using their incremental borrowing rate at lease inception which varied from 3.60% to 4.25%. The incremental borrowing rate was determined utilizing the daily treasury par yield curve tables as published by the United States Department of the Treasury.

Lease incentives used to fund leasehold improvements are recognized when earned and reduce the Society's right-of-use asset related to the lease. These are amortized through the right-of-use asset as reductions of expense over the lease term.

During 2025, the Society entered into six operating lease agreements with third parties to lease property and equipment. The Society recognized right-of-use assets of approximately $246,000 and operating lease liabilities of approximately $246,000. The lease terms range from two to five years. The present value of the lease liability was determined using the incremental borrowing rate at inception which varied from 3.60% to 3.99%.

Total expenses related to leases for the years ended December 31, 2025 and 2024 were approximately $188,000 and $113,000, respectively.

Maturities of operating lease obligations were as follows as of December 31, 2025:

Years ending December 31,	Amount
2026	116,086
2027	92,193
2028	4,972
Total lease payments	$ 213,251
Less: imputed interest	(8,037)
Present value of operating lease obligations:	$ 205,214

Weighted-Average Lease Term and Discount Rate

Weighted-average remaining lease term (years)	
Operating Leases	1.86
Weighted-average discount rate	
Operating Leases	3.64%

K. Liquidity and Availability of Resources

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	2025	2024
Cash and cash equivalents	$ 2,711,700	$ 1,058,246
Pledges receivable	105,743	115,786
Grants and other receivables	68,838	101,665
Investments	8,164,302	6,755,450
Less assets with donor restrictions	(2,799,818)	(1,218,037)
	$ 8,250,765	$ 6,813,110

As part of the Society's liquidity management, it has informally decided to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Society regularly monitors liquidity required to meet its operational needs and other contractual commitments, while also striving to maximize the investment of its available funds.

The Society manages its liquidity and reserves following three guiding principles:

- Operating with a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

The Society has a liquidity policy to maintain current financial assets less current liabilities at an average of 60 days operating expenses.

L. Subsequent Events

In preparing the accompanying financial statements, management of the Society has evaluated all subsequent events and transactions for potential recognition or disclosure through July 21, 2026, the date the financial statements were available for issuance.