



**HUMANE SOCIETY OF EL PASO, INC.**

**Financial Statements**  
(Audited)

*For the Years Ended*  
*December 31, 2024 and 2023*

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Humane Society of El Paso, Inc.

### **Opinion**

We have audited the accompanying financial statements of Humane Society of El Paso, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Humane Society of El Paso, Inc. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Humane Society of El Paso, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

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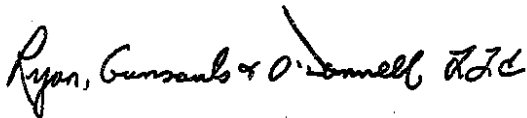
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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is 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 Humane Society of El Paso, Inc.'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 Humane Society of El Paso, Inc.'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.



Denver, Colorado  
July 16, 2025

**HUMANE SOCIETY OF EL PASO, INC.**  
**Statements of Financial Position**  
**December 31, 2024 and 2023**

	<u><b>ASSETS</b></u>	
	<u><b>2024</b></u>	<u><b>2023</b></u>
Current assets:		
Cash and cash equivalents	\$ 608,948	\$ 248,785
Unrestricted cash held in investments	38,910	47,228
Restricted cash held in investments	2,362	8,079
Accounts and contributions receivable	4,125	8,244
Inventory	19,822	17,391
Prepaid expenses and other assets	51,758	18,922
<b>Total current assets</b>	<u><b>725,925</b></u>	<u><b>348,649</b></u>
<b>Land</b>	<u><b>78,674</b></u>	<u><b>78,674</b></u>
<b>Property and equipment, net</b>	<u><b>2,050,298</b></u>	<u><b>2,132,804</b></u>
<b>Right of use assets-operating</b>	<u><b>22,120</b></u>	<u><b>32,001</b></u>
Other assets:		
Unrestricted investments	1,297,882	1,664,198
Donor restricted investments	72,527	249,212
Donor restricted investments, available to spend	-	40,175
<b>Other assets</b>	<u><b>1,370,409</b></u>	<u><b>1,953,585</b></u>
<b>Total assets</b>	<u><b>\$ 4,247,426</b></u>	<u><b>\$ 4,545,713</b></u>
 <u><b>LIABILITIES AND NET ASSETS</b></u>		
Liabilities:		
Accounts payable	\$ 59,483	\$ 38,751
Accrued expenses	83,503	74,337
Conditional contribution liabilities	6,667	6,333
Current portion of lease liability - operating leases	9,531	9,882
<b>Total current liabilities</b>	<u><b>159,184</b></u>	<u><b>129,303</b></u>
Non-current liabilities:		
Long-term portion of lease liability - operating leases	12,589	22,119
<b>Total non-current liabilities</b>	<u><b>12,589</b></u>	<u><b>22,119</b></u>
<b>Total liabilities</b>	<u><b>171,773</b></u>	<u><b>151,422</b></u>
Net assets:		
Without donor restrictions:		
Undesignated	3,925,971	4,137,000
Board designated	74,793	-
Total without donor restrictions	4,000,764	4,137,000
With donor restrictions	74,889	257,291
<b>Total net assets</b>	<u><b>4,075,653</b></u>	<u><b>4,394,291</b></u>
<b>Total liabilities and net assets</b>	<u><b>\$ 4,247,426</b></u>	<u><b>\$ 4,545,713</b></u>

*See accompanying independent auditors' report and notes to financial statements.*

**HUMANE SOCIETY OF EL PASO, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2024**

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>2024 Total</u></b>
<b>Revenue and support:</b>			
<b>Contributions</b>			
In-kind donations	\$ 788,808	\$ -	\$ 788,808
Legacies and bequests	658,944	-	658,944
General donations	264,753	-	264,753
Grants	138,979	-	138,979
Special events	136,735	-	136,735
Fundraising	51,652	-	51,652
Other income	364	-	364
Total contributions	<u>2,040,235</u>	<u>-</u>	<u>2,040,235</u>
<b>Revenues from contracts:</b>			
<b>Program services</b>			
Adoptions	261,777	-	261,777
Crematory income	234,722	-	234,722
Impound fees	55,938	-	55,938
Licensing collection	12,925	-	12,925
General services income	10,759	-	10,759
Sale of goods, net	3,031	-	3,031
Total program services revenue	<u>579,152</u>	<u>-</u>	<u>579,152</u>
Total revenues	<u>2,619,387</u>	<u>-</u>	<u>2,619,387</u>
Released from restriction	<u>182,921</u>	<u>(182,921)</u>	<u>-</u>
<b>Total revenue and support</b>	<u><b>2,802,308</b></u>	<u><b>(182,921)</b></u>	<u><b>2,619,387</b></u>
<b>Functional expenses:</b>			
Program services	2,624,985	-	2,624,985
General and administrative	143,115	-	143,115
Fundraising	146,420	-	146,420
<b>Total expenses</b>	<u><b>2,914,520</b></u>	<u><b>-</b></u>	<u><b>2,914,520</b></u>
<b>Change in net assets from operating activities</b>	<u><b>(112,212)</b></u>	<u><b>(182,921)</b></u>	<u><b>(295,133)</b></u>
<b>Non-operating income (expense):</b>			
Realized gain on investments	77,620	2,663	80,283
Unrealized gain (loss) on investments	63,229	(7,108)	56,121
Interest income	34,748	4,964	39,712
Gain on sale of asset	700	-	700
Depreciation	<u>(200,321)</u>	<u>-</u>	<u>(200,321)</u>
<b>Total non-operating expense</b>	<u><b>(24,024)</b></u>	<u><b>519</b></u>	<u><b>(23,505)</b></u>
<b>Change in net assets</b>	<u><b>(136,236)</b></u>	<u><b>(182,402)</b></u>	<u><b>(318,638)</b></u>
<b>Net assets, beginning of year</b>	<u>4,137,000</u>	<u>257,291</u>	<u>4,394,291</u>
<b>Net assets, end of year</b>	<u><b>\$ 4,000,764</b></u>	<u><b>\$ 74,889</b></u>	<u><b>\$ 4,075,653</b></u>

*See accompanying independent auditors' report and notes to financial statements.*

**HUMANE SOCIETY OF EL PASO, INC.**  
**Statement of Activities**  
**For the Year Ended December 31, 2023**

	<b><u>Without donor restrictions</u></b>	<b><u>With donor restrictions</u></b>	<b><u>2023 Total</u></b>
<b>Revenue and support:</b>			
<b>Contributions</b>			
In-kind donations	\$ 1,014,204	\$ -	\$ 1,014,204
Legacies and bequests	856,766	-	856,766
General donations	215,554	44,559	260,113
Grants	193,492	-	193,492
Special events	153,131	-	153,131
Fundraising	21,606	-	21,606
Royalties	7,164	-	7,164
Other income	287	-	287
Total contributions	<u>2,462,204</u>	<u>44,559</u>	<u>2,506,763</u>
<b>Revenues from contracts:</b>			
<b>Program services</b>			
Adoptions	291,153	-	291,153
Crematory income	261,740	-	261,740
General services income	8,142	-	8,142
Impound fees	54,928	-	54,928
Licensing collection	12,375	-	12,375
Volunteer program	330	-	330
Sale of goods, net	3,583	-	3,583
Total program services revenue	<u>632,251</u>	<u>-</u>	<u>632,251</u>
Total revenues	<u>3,094,455</u>	<u>44,559</u>	<u>3,139,014</u>
Released from restriction	321,609	(321,609)	-
<b>Total revenue and support</b>	<b><u>3,416,064</u></b>	<b><u>(277,050)</u></b>	<b><u>3,139,014</u></b>
<b>Functional expenses:</b>			
Program services	2,828,828	-	2,828,828
General and administrative	133,957	-	133,957
Fundraising	142,256	-	142,256
<b>Total expenses</b>	<b><u>3,105,041</u></b>	<b><u>-</u></b>	<b><u>3,105,041</u></b>
<b>Change in net assets from operating activities</b>	<b><u>311,023</u></b>	<b><u>(277,050)</u></b>	<b><u>33,973</u></b>
<b>Non-operating income (expense):</b>			
Unrealized (loss) gain on investments	(87,883)	321,781	233,898
Interest income	34,820	13,799	48,619
Realized loss on investments	(50,383)	(5,457)	(55,840)
Transfer to HSEPEC	(64,772)	-	(64,772)
Depreciation	(186,471)	-	(186,471)
<b>Total non-operating expense</b>	<b><u>(354,689)</u></b>	<b><u>330,123</u></b>	<b><u>(24,566)</u></b>
<b>Change in net assets</b>	<b><u>(43,666)</u></b>	<b><u>53,073</u></b>	<b><u>9,407</u></b>
<b>Net assets, beginning of year</b>	<b><u>4,180,666</u></b>	<b><u>204,218</u></b>	<b><u>4,384,884</u></b>
<b>Net assets, end of year</b>	<b><u>\$ 4,137,000</u></b>	<b><u>\$ 257,291</u></b>	<b><u>\$ 4,394,291</u></b>

*See accompanying independent auditors' report and notes to financial statements.*

**HUMANE SOCIETY OF EL PASO, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2024**

	<b>Adoptions and End of Life</b>	<b>Mary Speer</b>	<b>Total program</b>	<b>General and administrative</b>	<b>Fund- raising</b>	<b>2024 Total</b>
Salaries and wages	\$ 1,027,523	\$ 49,592	\$ 1,077,115	\$ 90,643	\$ 79,128	\$ 1,246,886
In-kind expenses	766,308	-	766,308	-	22,500	788,808
Veterinary services	154,761	61,496	216,257	-	-	216,257
Insurance	106,696	3,268	109,964	20,706	7,396	138,066
Payroll taxes	79,440	3,834	83,274	7,008	6,118	96,400
Kennel operations	87,892	853	88,745	518	453	89,716
Utilities	52,686	2,543	55,229	4,648	4,057	63,934
Office expense	53,456	784	54,240	4,563	3,973	62,776
Professional fees	36,537	1,736	38,273	3,218	2,770	44,261
Fundraising	27,094	-	27,094	2,280	1,990	31,364
Dues and subscriptions	31,356	-	31,356	-	-	31,356
Telephone	23,932	1,155	25,087	2,111	1,843	29,041
Bank charges	18,593	42	18,635	5,437	2,052	26,124
Repairs and maintenance	21,081	876	21,957	1,601	1,397	24,955
Advertising costs	3,105	-	3,105	-	12,419	15,524
Travel and training	3,924	-	3,924	-	-	3,924
Uniforms	2,304	111	2,415	203	177	2,795
Employee relations shelter	1,915	92	2,007	169	147	2,323
Interest expense	-	-	-	10	-	10
<b>Total expenses</b>	<b>\$ 2,498,603</b>	<b>\$ 126,382</b>	<b>\$ 2,624,985</b>	<b>\$ 143,115</b>	<b>\$ 146,420</b>	<b>\$ 2,914,520</b>
	<b>85.73%</b>	<b>4.34%</b>	<b>90.07%</b>	<b>4.90%</b>	<b>5.03%</b>	<b>100.00%</b>

*See accompanying independent auditors' report and notes to financial statements.*



**HUMANE SOCIETY OF EL PASO, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2023**

	<b>Adoptions and End of Life</b>	<b>Mary Speer</b>	<b>Total program</b>	<b>General and administrative</b>	<b>Fund- raising</b>	<b>2023 Total</b>
Salaries and wages	\$ 888,435	\$ 117,341	\$ 1,005,776	\$ 85,196	\$ 63,743	\$ 1,154,715
In-kind expenses	980,456	-	980,456	-	33,748	1,014,204
Veterinary services	147,192	117,813	265,005	-	-	265,005
Insurance	74,919	5,102	80,021	18,174	5,138	103,333
Kennel operations	99,648	2,807	102,455	368	276	103,099
Payroll taxes	66,487	8,779	75,266	6,369	4,765	86,400
Office expense	74,344	113	74,457	6,175	4,527	85,159
Utilities	56,143	7,271	63,414	5,443	4,072	72,929
Professional fees	37,219	4,820	42,039	3,608	2,699	48,346
Fundraising	38,337	-	38,337	3,196	2,391	43,924
Telephone	21,832	2,828	24,660	2,116	1,583	28,359
Bank charges	21,105	64	21,169	1,437	1,856	24,462
Repairs and maintenance	17,330	1,741	19,071	1,303	975	21,349
Advertising costs	4,020	-	4,020	-	16,078	20,098
Dues and subscriptions	18,478	-	18,478	-	-	18,478
Travel and training	7,899	-	7,899	-	-	7,899
Uniforms	3,719	482	4,201	360	270	4,831
Employee relations shelter	1,863	241	2,104	181	135	2,420
Interest expense	-	-	-	31	-	31
<b>Total expenses</b>	<b>\$ 2,559,426</b>	<b>\$ 269,402</b>	<b>\$ 2,828,828</b>	<b>\$ 133,957</b>	<b>\$ 142,256</b>	<b>\$ 3,105,041</b>
	<b>82.43%</b>	<b>8.68%</b>	<b>91.11%</b>	<b>4.30%</b>	<b>4.59%</b>	<b>100.00%</b>

*See accompanying independent auditors' report and notes to financial statements.*

**HUMANE SOCIETY OF EL PASO, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2024 and 2023**

	<u><b>2024</b></u>	<u><b>2023</b></u>
Cash flows from operating activities:		
Change in net assets	\$ (318,638)	\$ 9,407
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	200,321	186,471
Realized (gain) loss on investments	(80,283)	55,840
Unrealized gain on investments	(56,121)	(233,898)
Gain on sale of asset	(700)	-
Change in assets and liabilities that provided (used) cash:		
Accounts and contributions receivable	4,119	(2,735)
Inventory	(2,431)	(3,175)
Prepaid expenses and other assets	(32,836)	2,311
Accounts payable	20,732	(34,730)
Accrued expenses	9,166	14,954
Conditional contribution liabilities	334	(61,667)
<b>Net cash used in operating activities</b>	<u><b>(256,337)</b></u>	<u><b>(67,222)</b></u>
Cash flows from investing activities:		
Acquisition of property and equipment	(117,814)	(179,984)
Proceeds from sales of property and equipment	700	-
Purchase of investments	-	(350,000)
Reinvestments of interest	(39,481)	(48,076)
Proceeds from sales of investments	773,095	309,904
<b>Net cash provided by (used in) investing activities</b>	<u><b>616,500</b></u>	<u><b>(268,156)</b></u>
<b>Net change in cash and cash equivalents</b>	<b>360,163</b>	<b>(335,378)</b>
Cash and cash equivalents: beginning of year	<u>248,785</u>	<u>584,163</u>
Cash and cash equivalents: end of year	\$ <u><b>608,948</b></u>	\$ <u><b>248,785</b></u>
<b><u>Supplemental disclosure of non-cash financing activity:</u></b>		
Assets acquired through operating leases	\$ <u>-</u>	\$ <u>35,267</u>

*See accompanying independent auditors' report and notes to financial statements.*

## **HUMANE SOCIETY OF EL PASO, INC.**

### **Notes to Financial Statements**

**December 31, 2024 and 2023**

#### **Note 1: Nature of Operations**

Humane Society of El Paso, Inc. (HSEP) is a not-for-profit organization founded in 1947 to prevent suffering, neglect, abuse, and cruelty to animals, to provide information, raise public awareness of animal issues, and to promote responsible guardianship and kindness toward all living things. On January 1, 2010, HSEP opened its doors with a new philosophy and business model as a no-kill shelter. As a result, they expanded veterinary protocols to manage and treat a variety of animals that previously would have had a death sentence. HSEP fulfills its mission by focusing its efforts in three primary service areas.

##### Adoptions

HSEP provides adoption services to the El Paso Community and surrounding areas. Pets that can be adopted include kittens, dogs, rabbits, gerbils, etc. Many animals received by HSEP have been abandoned or surrendered and are rehomed /adopted.

##### Donor Restricted Investment Account - Mary Speer Program

HSEP was a recipient of a bequest for the use and advancement of spay/neuter programs for community cats conducted by HSEP. The funds are currently being held in a restricted investment account. Funds from this account are used as needed by HSEP for the sole purpose of the cats. The investment fund has not been reduced proportionate to actual expenditures for cats. Therefore, the restricted investment account includes both restricted and unrestricted funds.

##### End of Life Services

HSEP offers reasonably priced euthanasia services for when the time comes to end the suffering of a pet's life. The services are provided by licensed vets and are available to the public.

#### **Note 2: Summary of Significant Accounting Policies**

This summary of significant accounting policies of HSEP is presented to assist in the understanding of HSEP's financial statements. The financial statements and notes are representations of HSEP's management, who are responsible for the integrity and objectivity of the financial statements. These accounting policies conform with generally accepted accounting principles in the United States of America (U.S. GAAP) and have been consistently applied in the preparation of the financial statements.

##### Principles of Consolidation

The Humane Society of El Paso Endowment Corporation (HSEPEC) is a separate not-for-profit organization which operates exclusively for the benefit of HSEP. It was organized to raise and manage endowment funds to sustain the operating and capital requirements of HSEP. HSEPEC has as its sole purpose the accumulation, investment, and management of a perpetual endowment fund which will make distributions periodically out of income and, when necessary, out of principal to support operations of HSEP. As HSEP does not maintain control of HSEPEC, these amounts have not been included in these financial statements.

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 2: Summary of Significant Accounting Policies, continued**

**Basis of Presentation**

The financial statements have been prepared in accordance with U.S. GAAP, which requires HSEP to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions* – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of HSEP. These net assets may be used at the discretion of HSEP's management and its board of directors.

*Net assets with donor restrictions* – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of HSEP or by passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

**Basis of Accounting**

HSEP's financial statements are prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. It is reasonably possible that HSEP's estimates may change in the near term.

**Fair Value**

Cash, cash equivalents, receivables, and payables are reported in the financial statements approximate fair values because of their short maturities. Investments are measured at fair market value.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, HSEP considers all demand deposit accounts and highly liquid investments with original maturities of three months or less to be cash equivalents.

**Restricted Cash Held in Investments**

Restricted cash held in investments is a portion of a donor restricted fund required to be held by financial institutions independent of other HSEP funds. The carrying value of the restricted cash

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 2: Summary of Significant Accounting Policies, continued**

Restricted Cash Held in Investments, continued

held in investments approximates the fair value and totals \$2,362 and \$8,079, at December 31, 2024 and 2023, respectively.

Accounts and Contributions Receivable

Accounts and contributions receivable consist primarily of noninterest-bearing amounts due from individuals and organizations relating to various fundraising events. Accounts and contributions receivable at December 31, 2024 and 2023 are \$4,125 and \$8,244, respectively. HSEP determines the allowance for credit losses based on historical experience, an assessment of economic conditions, and review of subsequent collections. Accounts receivables are written off when deemed uncollectible. No allowance for credit losses was considered necessary as of December 31, 2024 and 2023.

Inventory

The inventories, which are comprised predominately of veterinary supplies, medicine, and crematory supplies are valued at the original cost, with cost determined using the first-in-first-out (FIFO) method.

Investments

HSEP records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported in their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Long-Lived Assets

Whenever certain events occur, or there are changes in circumstances, HSEP's management assesses the carrying value of its long-lived assets for impairment. If management determines that impairment has occurred, a loss is recognized based on the difference between the assets' carrying values over the estimated fair values. HSEP has not recorded any provision for possible impairment of long-lived assets.

Property and Equipment

Property and equipment assets are carried at cost if purchased; or at fair market value on the date received, if donated. Expenditures for maintenance and repairs that do not improve or extend the useful lives of respective assets, are charged to expense as incurred. It is HSEP's policy to capitalize assets whose costs exceed \$500. Depreciation is calculated on a straight-line basis over the useful life of the assets ranging from 3 – 25 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related accumulated depreciation is removed from the accounts, and any resulting gain or loss is included in the statements of activities.

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 2: Summary of Significant Accounting Policies, continued**

Property and Equipment, continued

HSEP reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended December 31, 2024 and 2023.

Beneficiary in Charitable Trusts Held by Others

HSEP has been named as a beneficiary of various trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. Therefore, HSEP has neither possession nor control over the assets of the trusts. At the date HSEP receives notice of beneficial interest, a contribution with donor restrictions is recorded in the statement of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions. Trust distributions with donor-imposed restrictions that are perpetual in nature are transferred to HSEPEC, in which case, net assets with donor restrictions are not released.

The trusts have administered land properties bequeathed to HSEP, such properties have oil, gas, and other mineral interests which underlined value has been determined by Farmers National Company, a gas and oil mineral management organization to be zero and not reflected in the statement of financial position as of December 31, 2024 and 2023. Receipt of royalty income is recognized in the period of the receipt.

Public Support and Contributions

Contributions play an important role in aiding HSEP in promoting animal adoptions in the El Paso area. Event sponsorships are one of the most popular ways to contribute because sponsors not only contribute to HSEP, but it allows the sponsor to show through example its dedication to finding forever homes for the displaced animals of the El Paso Community. The most popular events that are sponsored are the K-9 Classic Walk, Howl at the Moon Banquet and Auction, and the annual Telethon.

The Howl at the Moon Annual Banquet and Auction is HSEP's signature event where all animal lovers and advocates come together and help to save more animal lives through both a silent and live auction. A wide range of businesses in El Paso community donate a variety of items to ensure all attendees can leave with something they love. A telethon is hosted where HSEP collaborates with a local television station to promote the mission and the goals of HSEP.

These sources of contributed income are reported as increases in net assets without donor restrictions unless use of related assets is limited by donor-imposed restrictions.

Public support and contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for future

**HUMANE SOCIETY OF EL PASO, INC.**  
**Notes to Financial Statements**  
**December 31, 2024 and 2023**

**Note 2:     Summary of Significant Accounting Policies, continued**

Public Support and Contributions, continued

periods or for specific purposes are reported as increases in net assets with donor restrictions. When a restriction is fulfilled, (that is, when a stipulated time restriction ends or the purpose of restriction is accomplished), net assets with donor restrictions are reclassified and reported in the statements of activities as net assets without donor restrictions. However, if a restriction is fulfilled in the same period in which the contribution is received, the support is reported as net assets without donor restrictions.

Contributions include contributed services and materials, consisting of volunteer hours for the Foster program and food and litter for animals at the shelter. Contributed services are recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased. In addition, many individuals volunteer their time and perform a variety of tasks that assist HSEP; however, these services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services. In-kind services and good received of \$788,808 and \$1,014,204 are reflected in In-kind donations on the statement of activities for the years ended December 31, 2024, and 2023, respectively.

In accordance with the Accounting Standards Codification (ASC) Sub-Topic 958-605, *Not-for-Profit Entities - Revenue Recognition*, (Topic 958), HSEP must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of release or a promise to transfer assets exist. Indicators of a barrier include a measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of an agreement. Topic 958 prescribes that HSEP should not consider probability of compliance with the barrier when determining if such contributions are conditional and should be reported as conditional liabilities until such conditions are met. At December 31, 2024 and 2023, HSEP had \$6,667 and \$6,333, respectively, of conditional contract liabilities.

Income Taxes

HSEP is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code (IRC) and classified as other than a private foundation. HSEP is, however, subject to income tax on any unrelated business income. As of December 31, 2024 and 2023, no unrelated business income was earned by HSEP. HSEP has adopted the provisions of *Income Taxes*. In determining the recognition of uncertain tax positions, HSEP applies a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with taxing authorities. HSEP analyzed its positions taken on their Federal tax returns for the open tax years 2021 through 2023.

Based on their analysis, HSEP determined that there were no uncertain tax positions and that HSEP should prevail upon examination by the taxing authorities.

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 2: Summary of Significant Accounting Policies, continued**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among programs and supporting services benefited. Such allocations are determined by management on an equitable basis, such as time and effort, fixed percentage, and percentage of actual invoice.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense was \$15,524 and \$20,098 for the years ending December 31, 2024 and 2023, respectively.

**Note 3: Availability and Liquidity**

The following represents HSEP's financial resources at December 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 608,948	\$ 248,785
Unrestricted cash held in investments	38,910	47,228
Restricted cash held in investments	2,362	8,079
Accounts receivable	4,125	8,244
Unrestricted investments	1,297,882	1,664,198
Donor restricted investments	72,527	249,212
Donor restricted investments, available to spend	-	40,175
Total financial assets	2,024,754	2,265,921
Less amounts unavailable:		
Restricted cash held in investments	2,362	8,079
Donor restricted investments	72,527	249,212
Total amounts unavailable	74,889	257,291
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,949,865</u>	<u>\$ 2,008,630</u>

HSEP maintains ten to twelve months of cash and cash equivalents to manage liquidity.

**Note 4: Off Balance Sheet Credit Risk**

HSEP maintains its cash balances at a financial institution which at times exceeds amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution per account holder. As of December 31, 2024 and 2023, \$344,724 and \$-0- was in excess of what would have been covered by FDIC, respectively. HSEP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk to cash.

HSEP invests in securities that are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term.



**HUMANE SOCIETY OF EL PASO, INC.**  
**Notes to Financial Statements**  
**December 31, 2024 and 2023**

**Note 5: Accounts and Contributions Receivable**

Accounts and contributions receivable consist of the following at December 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Crossroads animal hospital	\$ 2,379	\$ 3,869
Southwest animal care	1,410	3,600
County club	-	775
Other donations	<u>336</u>	<u>-</u>
Total accounts and contributions receivable	<u>\$ 4,125</u>	<u>\$ 8,244</u>

**Note 6: Property and Equipment**

Property and equipment consist of the following at December 31:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Building and improvements	\$ 4,370,799	\$ 4,260,537
Furniture and fixtures	109,028	109,028
Equipment	339,328	331,776
Transportation vehicles	<u>85,305</u>	<u>106,880</u>
Total property and equipment	4,904,460	4,808,221
Less: accumulated depreciation	<u>(2,854,162)</u>	<u>(2,675,417)</u>
Total property and equipment, net	<u>\$ 2,050,298</u>	<u>\$ 2,132,804</u>

Depreciation expense for the years ended December 31, 2024 and 2023 was \$200,321 and \$186,471, respectively.

**Note 7: Investments**

Investments are stated at fair value and consist of both unrestricted investments and Mary Speer restricted accounts at December 31, 2024 and 2023. Cash held in investments includes both unrestricted and restricted amounts at December 31, 2024 and 2023. Investments consist of the following:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Cash and cash equivalents	\$ 41,272	\$ 55,307
Mutual funds:		
Fixed income	299,741	532,110
Equities	984,173	1,300,438
Alternative	55,938	70,386
Real assets	<u>30,557</u>	<u>50,651</u>
Total investments	<u>\$ 1,411,681</u>	<u>\$ 2,008,892</u>

**HUMANE SOCIETY OF EL PASO, INC.**  
**Notes to Financial Statements**  
**December 31, 2024 and 2023**

**Note 7: Investments, continued**

Investment income related to the investments for the years ended December 31, are as follows:

	<u><b>2024</b></u>	<u><b>2023</b></u>
Interest income	\$ 39,481	\$ 48,076
Realized gains (losses)	80,283	(55,840)
Unrealized gains	<u>56,121</u>	<u>233,898</u>
	<u><u>\$ 175,885</u></u>	<u><u>\$ 226,134</u></u>

**Note 8: Fair Value Measurements**

HSEP has adopted the provisions of *Fair Value Measurements*, which provides a framework for measuring fair value under generally accepted accounting principles. This framework defines fair values, establishes a consistent framework for measuring fair value and expands disclosure requirements for fair value measurements. Under this guidance, assets and liabilities are grouped in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 – Valuation is based upon quoted prices for identical instruments traded in active markets.
- Level 2 – Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – Valuation is generated from model-based techniques that use significant assumptions not observable in the market. These unobserved assumptions reflect the instrument's own estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include use of option pricing models, discounted cash flow models and similar techniques.

Under the guidance, HSEP bases fair values on 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 dates. Valuation techniques used need to maximize the use of 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 methodologies used at December 31, 2024 and 2023. All investments are considered Level 1 investments at December 31, 2024 and 2023.

**Note 9: Mary Speer Restricted Purpose Bequest**

In 2016, Mary Speer bequeathed \$1,339,344 to HSEP for the limited purpose of spay and neutering of community cats that was reflected in restricted revenue and increases net assets with donor restriction in the statements of activities for the year ended December 31, 2016. The funds were placed in an investment account that earns income which is also restricted for cats.

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 9: Mary Speer Restricted Purpose Bequest**

In subsequent years, after expenditures for cats are incurred (expensed), the corresponding release from restriction is reflected on the statements of activities and cash is transferred from investments with donor restriction to cash and cash equivalents are the statements of financial position.

Reimbursable expenses relating to the Mary Speer bequest incurred in 2024 and 2023, related to cats were \$182,291 and \$321,609, respectively, and is reflected in program services on the statements of activities.

**Note 10: Net Assets with Donor Restrictions**

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

	<b><u>2024</u></b>	<b><u>2023</u></b>
Purpose restriction:		
Mary Speer bequest	\$ 74,889	\$ 257,291
Total net assets with donor restrictions	<u>\$ 74,889</u>	<u>\$ 257,291</u>

**Note 11: Board designated net assets**

In December 2024, the HSEP board of directors approved saving 20% of funds received from a bequeath for use in a similar manner to the Mary Speer donor restricted fund noted in Note 9. The amount of \$74,793 is presented as board designated net assets on the statements of financial position.

**Note 12: Recognition of Revenue from Contracts**

HSEP recognizes revenue in accordance with U.S. GAAP, and commences revenue recognition when all of the following conditions are satisfied:

- There is persuasive evidence of an arrangement;
- the product has been delivered or the services performed;
- the amount of fees to be paid by members and customers are fixed or determinable;
- the collection of fees is reasonably assured.

HSEP receives fees from adoptions, impounds, cremations, euthanasias, licensing, microchipping, sales of goods, such as pet tags, collars, leashes, etc., and other animal related services. For the years ended December 31, 2024 and 2023, revenue received from contracts with customers was \$579,152 and \$632,251, respectively. This revenue is collectively known as program service revenue on the statement of activities. There were no contract assets, accounts receivable, or deferred revenues related to contracts with customers for the years ended December 31, 2024 and 2023.

**Note 13: Leases**

HSEP leases a copier and postage machine under long-term, noncancelable lease agreements. The leases expire between May 2025 and November 2026 and provides for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar

**HUMANE SOCIETY OF EL PASO, INC.**  
**Notes to Financial Statements**  
**December 31, 2024 and 2023**

**Note 13: Leases, continued**

leases. Additionally, the agreements require that HSEP to pay real estate taxes, insurance, repairs and certain operating expenses.

The following table provides quantitative information concerning HSEP's operating leases as of December 31:

	<u>2024</u>	<u>2023</u>
Lease costs (included in office and occupancy expense):		
Operating lease costs	\$ 10,476	\$ 9,158
Other information:		
Operating cash flows from operating leases	\$ 10,476	\$ 9,158
Weighted- average remaining lease term -operating leases	2.9 years	3.9 years
Weighted- average discount rate- operating leases	3.65 %	3.62 %

Total future minimum lease payments under noncancelable operating leases are as follows as of December 31, 2024:

2025	\$ 10,476
2026	10,409
2027	<u>4,031</u>
Total lease payments	24,916
Less: interest	<u>(2,796)</u>
Total lease liabilities	22,120
Less: current portion, lease liabilities	<u>(9,531)</u>
Long-term portion, lease liabilities	<u>\$ 12,589</u>

**Note 14: Related Party Transactions**

HSEPEC is an independent not for profit organization that serves as the custodian of financial investments and cash for benefit of HSEP.

HSEPEC contributed \$100,000 and \$75,000, respectively, for the years ended December 31, 2024 and 2023, that is reflected as Legacies and bequests on the Statements of Activities.

Due to a weakened financial position, HSEP did not make any contribution to HSEPEC in 2024. HSEP contributed \$64,772 to HSEPEC in 2023, that is reflected as the transfer to HSEPEC on the Statements of Activities.

**Note 15: Concentrations**

HSEP receives a majority of its revenue from contributions and revenue contracts. For the years ended December 31, 2024 and 2023, HSEP received the following as percentages of total revenue:

	<u>2024</u>	<u>2023</u>
Support revenue	\$ 2,040,235 (78%)	\$ 2,506,763 (80%)

**HUMANE SOCIETY OF EL PASO, INC.**

**Notes to Financial Statements**

**December 31, 2024 and 2023**

**Note 15: Concentrations, continue**

Program service revenue	\$ 579,152 (22%)	\$ 632,251 (20%)
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Support revenue and revenue from customers are made up of several gifts and contracts. Of the total support revenue, 23% and 27% are legacies and bequests for the years ended December 31, 2024 and 2023, respectively, of which 2 and 3 estate bequeaths, respectively, are 10% or more of the total legacies and bequeaths income that equate to approximately 18% and 26% of total support revenue. In-kind activities account for 31% and 32% of total revenue and 40% and 40% of support revenue for the years ended December 31, 2024 and 2023, respectively. General donations account for 10% and 8% of total revenue and 13% and 10% of support revenue for the years ended December 31, 2024 and 2023, respectively. Adoptions account for 10% and 9% of total revenue and 45% and 46% of program services revenue for the years ended December 31, 2024 and 2023, respectively. No one individual customer accounts for more than 10% of the revenue categories.

**Note 16: Reclassifications**

Certain reclassifications have been made to the December 31, 2023 financial statements to conform to the December 31, 2024 presentation. Net assets and changes in net assets were not affected as a result of these classifications.

**Note 17: Subsequent Events**

HSEP has evaluated subsequent events and transactions for potential recognition or disclosure through the date at which the financial statements were available to be issued, which is the date of the independent auditors' report. HSEP determined that no events occurred that required disclosure.