

Santa Fe Animal Shelter and Humane Society, Inc.

Financial Statements

For the Years Ended December 31, 2025 and 2024



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ANIMAL SHELTER

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors and Management
Santa Fe Animal Shelter and Humane Society, Inc.
Santa Fe, New Mexico

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Santa Fe Animal Shelter and Humane Society, Inc. (a New Mexico nonprofit organization), which comprise the statement 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 consolidated financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Santa Fe Animal Shelter and Humane Society, Inc. as of December 31, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Santa Fe Animal Shelter and Humane Society, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Santa Fe Animal Shelter and Humane Society, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Santa Fe Animal Shelter and Humane Society, 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 Santa Fe Animal Shelter and Humane Society, 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.

A handwritten signature in blue ink that reads "Cordova CPAs LLC". The signature is written in a cursive, flowing style.

Cordova CPAs LLC
Albuquerque, New Mexico
April 15, 2026

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2025 AND 2024

Assets	2025	2024
Current assets		
Cash and cash equivalents	\$ 6,064,206	\$ 7,517,613
Investments	14,812,906	12,660,094
Grants and contributions receivable	185,075	340,901
Estate contribution receivables	-	1,079,650
Prepaid expenses and deposits	67,384	19,975
Donated inventory	237,881	134,261
Total current assets	<u>21,367,452</u>	<u>21,752,494</u>
Non-current and other assets		
Estate contribution receivables	332,690	476,753
Property and equipment, net	5,285,031	6,053,171
Operating right of use assets, net	331,342	86,478
Endowed investments	2,315,127	1,969,920
Beneficial interest in perpetual trusts	864,850	796,439
Total assets	<u>\$ 30,496,492</u>	<u>\$ 31,135,255</u>
Liabilities and net assets		
Current liabilities		
Accounts payable	\$ 212,869	\$ 157,649
Accrued wages and benefits	567,632	494,458
Current portion of lease liabilities	54,030	71,550
Unearned revenue	43,551	76,692
Total current liabilities	<u>878,082</u>	<u>800,349</u>
Noncurrent liabilities		
Lease liabilities	291,949	14,372
Total liabilities	<u>1,170,031</u>	<u>814,721</u>
Net assets		
Without donor restrictions		
Undesignated	25,690,475	26,953,115
Board-designated endowment	1,239,670	1,050,627
Total without donor restrictions	<u>26,930,145</u>	<u>28,003,742</u>
With donor restrictions	2,396,316	2,316,792
Total net assets	<u>29,326,461</u>	<u>30,320,534</u>
Total liabilities and net assets	<u>\$ 30,496,492</u>	<u>\$ 31,135,255</u>

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Fees	\$ 2,831,464	\$ -	\$ 2,831,464
Contributions and support	2,246,519	7,281	2,253,800
Grants	145,401	-	145,401
Store sales	1,284,327	-	1,284,327
Investment income	1,937,995	160,043	2,098,038
Government contracts	604,491	-	604,491
In-kind income	173,893	-	173,893
Net gain on beneficial interest in Perpetual Trusts	-	68,411	68,411
Event income	1,472	-	1,472
Net assets released from restrictions	156,211	(156,211)	-
	<u>9,381,773</u>	<u>79,524</u>	<u>9,461,297</u>
Expenses			
Program services	8,647,548	-	8,647,548
Management and general	1,102,966	-	1,102,966
Fundraising	704,856	-	704,856
	<u>10,455,370</u>	<u>-</u>	<u>10,455,370</u>
Change in net assets	(1,073,597)	79,524	(994,073)
Net assets - beginning of year	<u>28,003,742</u>	<u>2,316,792</u>	<u>30,320,534</u>
Net assets - end of year	<u>\$ 26,930,145</u>	<u>\$ 2,396,316</u>	<u>\$ 29,326,461</u>

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Fees	\$ 2,440,066	\$ -	\$ 2,440,066
Contributions and support	1,780,594	-	1,780,594
Grants	80,160	-	80,160
Store sales	1,044,760	-	1,044,760
Investment income	762,643	111,253	873,896
Government contracts	440,018	-	440,018
In-kind income	191,581	-	191,581
Net gain on beneficial interest in Perpetual Trusts	-	36,862	36,862
Event income	134,394	-	134,394
Realized loss on disposal of assets	(1,713)	-	(1,713)
Net assets released from restrictions	<u>4,287,158</u>	<u>(4,287,158)</u>	<u>-</u>
 Total revenues and other support	 <u>11,159,661</u>	 <u>(4,139,043)</u>	 <u>7,020,618</u>
 Expenses			
Program services	8,443,450	-	8,443,450
Management and general	1,085,701	-	1,085,701
Fundraising	<u>803,455</u>	<u>-</u>	<u>803,455</u>
 Total expenses	 <u>10,332,606</u>	 <u>-</u>	 <u>10,332,606</u>
 Change in net assets	 827,055	 (4,139,043)	 (3,311,988)
 Net assets - beginning of year	 <u>27,176,687</u>	 <u>6,455,835</u>	 <u>33,632,522</u>
 Net assets - end of year	 <u>\$ 28,003,742</u>	 <u>\$ 2,316,792</u>	 <u>\$ 30,320,534</u>

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and wages	\$ 4,589,473	\$ 596,151	\$ 312,833	\$ 5,498,457
Payroll taxes	334,926	43,158	23,122	401,206
Benefits	589,464	57,410	34,223	681,097
Total salaries and related expenses	<u>5,513,863</u>	<u>696,719</u>	<u>370,178</u>	<u>6,580,760</u>
Medical supplies	770,557	-	-	770,557
Animal care costs	405,686	166,264	40,539	612,489
Professional fees	167,705	70,941	37,984	276,630
Rent and utilities	372,933	23,875	15,003	411,811
Maintenance and repairs	113,594	1,139	-	114,733
Insurance	90,191	5,512	5,794	101,497
Adoption expenses	4,252	-	-	4,252
Credit card and bank service fees	83,119	8,472	14,778	106,369
Fundraising	-	-	65,265	65,265
Office expenses	211,873	48,846	40,312	301,031
Advertising	499	9,051	23,562	33,112
In-kind	37,417	-	32,855	70,272
Professional development and meetings	8,833	17,096	829	26,758
Miscellaneous	7,451	223	-	7,674
Travel, food, and lodging	16,984	1,499	1,695	20,178
Cost of goods sold	9,765	-	-	9,765
Expenses before depreciation	<u>7,814,722</u>	<u>1,049,637</u>	<u>648,794</u>	<u>9,513,153</u>
Depreciation expense	<u>832,826</u>	<u>53,329</u>	<u>56,062</u>	<u>942,217</u>
Total expenses	<u>\$ 8,647,548</u>	<u>\$ 1,102,966</u>	<u>\$ 704,856</u>	<u>\$ 10,455,370</u>

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	PROGRAM SERVICES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries and wages	\$ 4,465,382	\$ 298,907	\$ 320,511	\$ 5,084,800
Payroll taxes	318,197	25,099	30,106	373,402
Benefits	669,787	27,904	22,025	719,716
Total salaries and related expenses	5,453,366	351,910	372,642	6,177,918
Medical supplies	706,928	-	-	706,928
Animal care costs	533,242	345,236	71,558	950,036
Professional fees	171,345	58,984	9,203	239,532
Rent and utilities	330,487	14,404	14,088	358,979
Maintenance and repairs	96,466	159	-	96,625
Insurance	80,880	15,929	3,422	100,231
Adoption expenses	4,771	-	-	4,771
Credit card and bank service fees	69,331	2,268	11,399	82,998
Fundraising	-	-	81,998	81,998
Office expenses	104,910	66,590	54,088	225,588
Advertising	-	58,048	21,219	79,267
In-kind	88,191	1,166	92,019	181,376
Professional development and meetings	28,199	10,799	438	39,436
Miscellaneous	7,539	58,806	-	66,345
Travel, food, and lodging	5,350	1,764	-	7,114
Cost of goods sold	10,039	-	-	10,039
Expenses before depreciation	7,691,044	986,063	732,074	9,409,181
Depreciation expense	752,406	99,638	71,381	923,425
Total expenses	\$ 8,443,450	\$ 1,085,701	\$ 803,455	\$ 10,332,606

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
DECEMBER 31, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities		
Change in net assets	\$ (994,073)	\$ (3,311,988)
Adjustments to reconcile change in net assets to		
Net cash (used) by operating activities:		
Depreciation	942,217	923,425
Loss on disposal of assets	-	1,713
Net gain on beneficial interest in perpetual trust	(68,411)	(36,862)
Net investment income	(2,098,038)	(732,223)
Donated inventory	(103,620)	(10,205)
Net change in operating assets and liabilities:		
Grants and contributions receivable	155,826	(34,638)
Operating right of use assets	(244,864)	67,599
Prepaid expenses	(47,409)	36,291
Estate contribution receivable	1,223,713	3,106,056
Accounts payable	55,220	(38,913)
Operating lease liabilities	260,057	(67,227)
Accrued liabilities	73,174	30,201
Unearned revenue	(33,141)	53,713
Net cash used by operating activities	<u>(879,349)</u>	<u>(13,058)</u>
Cash flows from investing activities		
Proceeds from sale of investments	25,901,608	18,661,640
Purchases of investments	(26,301,589)	(23,632,979)
Cash paid for investment in property and equipment	(174,077)	(1,067,146)
Net cash used by investing activities	<u>(574,058)</u>	<u>(6,038,485)</u>
Cash flows from financing activities		
Reinvested net investment income	-	(200,667)
Endowment distributions	-	58,994
Net cash used by financing activities	<u>-</u>	<u>(141,673)</u>
Net (decrease) in cash and cash equivalents	(1,453,407)	(6,193,216)
Cash and cash equivalents at beginning of year	<u>7,517,613</u>	<u>13,710,829</u>
Cash and cash equivalents at end of year	<u>\$ 6,064,206</u>	<u>\$ 7,517,613</u>

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

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1. Organization and Significant Accounting Policies

Function of Santa Fe Animal Shelter and Humane Society, Inc

The Santa Fe Animal Shelter and Humane Society, Inc. (the Shelter) is a nonprofit organization dedicated to its mission to support animals, save lives, and spread compassion. The Shelter focuses on providing accessible spay and neuter programs to address animal overpopulation at its source. Through innovative adoption initiatives and a wide range of programs, the Shelter supports vulnerable animals and works to place homeless animals into safe, loving homes.

Basis of Accounting. The accompanying financial statements have been prepared on the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expenses are recognized with the related liability is incurred rather than when paid.

Financial Statement Presentation. The accompanying financial statements have been prepared following the guidance required under Accounting Standards Codification (ASC) #958-605 "*Not for Profit Entities-Revenue Recognition*" and (ASC) #958-205, "*Not-for-Profit Entities-Presentation of Financial Statements.*" Under guidance expressed in these statements, "An organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted by donors. Amounts for each of these two classes of net assets; *net assets without donor restriction and net assets with donor restriction*, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations of restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities".

Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. The Shelter considers all liquid investments purchased with a maturity date of three months or less as cash equivalents.

Investments. Investments consist primarily of money market funds, mutual funds, equities, and fixed income securities, and are stated at quoted fair market value (FMV). Net investment income is considered income without donor restriction unless otherwise specified by donor stipulations.

Property and Equipment. Property and equipment is recorded at cost or estimated fair value at date of donation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. The Shelter capitalizes items over \$5,000 with an estimated useful life greater than three years.

Advertising. The Shelter expenses advertising costs as they are incurred.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1. Organization and Significant Accounting Policies (continued)

Basis of Presentation. The financial statements of the Shelter have been prepared in accordance with GAAP, which require the Shelter to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions. – Net assets subject to donor- (or certain grantor-) 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.

The Shelter reports grants and contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted grants and contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as Net Assets Released from Restrictions.

Grants and Contributions. The Shelter reports nonexchange grants and contributions received as either with donor restriction or without donor restriction support, depending on the existence or nature of any donor restrictions. Unconditional promises to give are recognized as revenue and pledges receivable when the promise to give is made. Conditional promises to give are recognized as conditions are satisfied. There were no conditional promises to give at December 31, 2025 and 2024.

Donated Goods and Services. The Shelter receives donated noncash assets that are sold in its retail stores. The value of these assets is recorded at the time of sale and the ending donated inventory balance is estimated. Contributions of donated professional services that create or enhance nonfinancial assets or that require specialized skills, are recorded at their fair values in the period received. The Shelter receives donations of various items used in operations, primarily related to the welfare of animals housed at the Shelter's facility.

Financial Instruments. The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

Income Taxes. The Shelter is a nonprofit charitable corporation and has been recognized as tax-exempt under Section 501 (c)(3) of the Internal Revenue Code. The Shelter has adopted GAAP, as they relate to uncertain tax positions, and has evaluated its tax positions taken for open tax years. Management believes that the activities of the Shelter are within its tax-exempt purpose, and that there are no uncertain tax positions.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1. Organization and Significant Accounting Policies (continued)

Fair Value Measurements. GAAP establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Shelter has the ability to access.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

Functional Expenses. The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the functions benefited. Any expenditure not directly chargeable to a single function is allocated. Significant allocated expenses include salaries and benefits based on time spent and utilities and depreciation based on the number of employees operating in each function.

Revenue Recognition. Store Sales - The Shelter operates a retail store (Adoptions) and two resale stores (The Cat and Cat South). Sales of commensurate value (exchange) are made to consumers, and revenue is recognized at the point of sale (point in time).

Government Contracts - The Shelter contracts with the City of Santa Fe and Santa Fe County to lease space and provide Shelter services on a perpetual basis. Revenue is recognized monthly based on occupancy of leased space and operation of the Shelter for the benefit of the residents of Santa Fe.

Fees - The Shelter provides services for fees. The most significant fees generated are related to: Veterinary Services, Public Spay and Neuter, Licensing, Adoptions and Vaccinations. None of these fees are associated with formal contracts. Sales of commensurate value (exchange) are made to customers, and revenue is recognized at the point of sale (point in time).

Special Event Revenue - The Shelter holds various fundraising events on an annual basis. Tickets and sponsorships (non-exchange) are sold to customers, and revenue is deferred until events are held, at which point the revenue is recognized (point in time).

Leases. The Shelter leases certain office equipment and a retail store location. The Shelter determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, other current liabilities, and operating lease liabilities on the balance sheet.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 1. Organization and Significant Accounting Policies (continued)

Leases. ROU assets represent the Shelter's right to use an underlying asset for the lease term and lease liabilities represent the Shelter's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Shelter will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Shelter's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Shelter considers factors such as if the Shelter has obtained substantially all of the rights to the underlying asset through exclusivity, if the Shelter can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Shelter has elected to use an incremental borrowing rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

Reclassifications. Certain 2024 amounts have been reclassified to be consistent with the presentation of 2025 amounts. These reclassifications had no effect on the changes in net assets.

Subsequent Events. Management evaluated subsequent events through April 15, 2026, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2025, but prior to April 15, 2026, that provided additional evidence about conditions that existed at December 31, 2025 have been recognized in the financial statements for the year ended December 31, 2025. Events or transactions that provided evidence about conditions that did not exist at December 31, 2025, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended December 31, 2025.

NOTE 2. Fair Value Measurements

Fair Values Measured on Recurring Basis. In September 2006, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. As of July 1, 2008, Shelter has adopted ASC 820. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 or 2024.

Money Market, Fixed Income Securities, Mutual Funds, Equities, Alternative Investments and Beneficial Interests in Perpetual Trusts: Valued at the closing price reported on the active market on which the individual securities are traded.

Pledges Receivable: Present value of future cash flows.

Donated Inventory: Historical sales.

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

NOTE 2. Fair Value Measurements (continued)

The table below represents fair value measurement hierarchy of the assets at fair values as of December 31, 2025 and 2024:

	2025			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Fixed Income	\$ 9,229,673	\$ 9,229,673	\$ -	\$ -
Exchange traded Funds	5,814,680	5,814,680	-	-
Alternative investments	2,083,680	-	-	2,083,680
Donated Inventory	237,881	-	237,881	-
Beneficial Interest in Perpetual Trusts	864,850	864,850	-	-
Total assets	<u>\$ 18,230,764</u>	<u>\$ 15,909,203</u>	<u>\$ 237,881</u>	<u>\$ 2,083,680</u>
	2024			
	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money Market Fund	\$ 42,623	\$ 42,623	\$ -	\$ -
Fixed Income	7,604,561	7,604,561	-	-
Exchange traded Funds	4,795,487	4,795,487	-	-
Alternative investments	2,187,343	-	-	2,187,343
Donated Inventory	134,261	-	134,261	-
Beneficial Interest in Perpetual Trusts	796,439	796,439	-	-
Total assets	<u>\$ 15,560,714</u>	<u>\$ 13,239,110</u>	<u>\$ 134,261</u>	<u>\$ 2,187,343</u>

Level 3 Investments

As disclosed in Note 3, the Shelter is a named beneficiary of the Estate of Linda Nelson (the "Estate"). During the year ended December 31, 2025, the Shelter received distributions from the Estate totaling \$1,200,000. As of December 31, 2025, the estimated remaining value allocable to each beneficiary is approximately \$332,690. The Estate continues to liquidate its underlying investments and is expected to make additional periodic distributions over the next several years. The Estate distribution is nonrecurring in nature and that the timing of future distributions remains uncertain.

In January 2024, \$3,106,056 of the Estate's illiquid investments were transferred to Viking Global Opportunities LP (the "Fund"). The Shelter received distributions from the Fund totaling \$327,023 and \$515,665 during the years ended December 31, 2024, and 2025, respectively. As of December 31, 2025, the remaining capital balance in the Fund attributable to the Shelter is \$2,083,680, which reflects cumulative net market depreciation of \$179,688. The Fund is administered by Morgan Stanley Fund Services, and the Shelter's interest is held in an illiquid capital account. The underlying investments consist of both private and public securities. Due to the nature of these investments, the timing and amount of future distributions are uncertain.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 3. Bequest and Estate Receivable

On January 12, 2023, the Shelter received notification they were a 25% beneficiary in an estate, without donor restriction, estimated at \$78.5 million at the time of the donor's passing. Of this amount, \$63,900,000 was comprised of liquid cash/investments, \$12,648,599 of illiquid investments, and \$1,968,428 of real and personal property. On January 1, 2024, illiquid funds comprised of private and public investments of \$3,106,056 were transferred to the Viking Global Opportunities fund managed by Morgan Stanley for the Shelter. As of December 31, 2024, the balance of the Estate receivable included the Shelter's portion of the liquid fund of \$1,079,650 and the illiquid balance of \$476,753 representing private investments.

On January 24, 2025, the shelter received a cash distribution of \$1,200,000 from the Estate of Linda Nelson. This amount exceeded the December 31, 2024, liquid balance because it included a portion of assets that had previously been classified as illiquid but had since become liquid and available for distribution.

As of December 31, 2025, the balance of the Estate receivable included the Shelter's portion of the illiquid fund of \$332,690 representing private investments.

The realization from the illiquid private investments shifts to the liquid fund balance, resulting in an increased cash proceeds distribution. The Estate is expected to remain open for two to three years to receive realizations from the private investments, and the shelter is expected to receive periodic distributions from the remaining portion of the Estate as the beneficiary.

NOTE 4. Property and Equipment

A summary of property and equipment and changes occurring during the year ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Building and improvements	\$ 14,411,312	\$ 14,273,069
Hospital Facility	4,209,723	4,209,723
Furniture & equipment	828,603	807,640
Leasehold Improvements	490,614	490,614
Vehicles	<u>245,586</u>	<u>245,586</u>
Total property and equipment	20,185,838	20,026,632
Less accumulated depreciation	<u>(14,900,807)</u>	<u>(13,973,461)</u>
Net property and equipment	<u>\$ 5,285,031</u>	<u>\$ 6,053,171</u>

NOTE 5. Endowment Funds

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the Shelter. The state of New Mexico adopted UPMIFA effective July 1, 2009. The Shelter has determined that certain net assets with donor restriction meet the definition of endowment funds under UPMIFA. The Shelter has determined that its beneficial interests in perpetual trusts, which are held in trust, do not meet the definition of endowment funds under UPMIFA, as the Shelter is not the trustee.

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NOTE 5. Endowment Funds (continued)

Endowment Investment and Spending Policies

The Shelter has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding for initiatives supported by its endowments while seeking to maintain the purchasing power of the endowments.

In determining the prudent amount to distribute in a given year, the Shelter considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Shelter's current spending policy with regards to its endowments is determined annually by the board of directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, the Shelter relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Shelter targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Shelter's endowment funds include donor-restricted assets. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Shelter's endowment funds consist of endowments restricted by the donor for time and purpose. A reconciliation of endowment activities for the years ending December 31, is as follows:

	<u>2025</u>	<u>2024</u>
	With Donor Restrictions	With Donor Restrictions
Endowment net assets - beginning of year	\$ 919,293	\$ 867,033
Net investment return	156,164	111,254
Distributions	-	(58,994)
Total endowment net assets - end of year	<u>\$ 1,075,457</u>	<u>\$ 919,293</u>

In addition to endowments restricted by donor, the board has designated \$1,239,670 of investments for endowment, which are included in the endowed investments balance on the statements of financial position.

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NOTE 6. Liquidity and Availability of Financial Assets

The following reflects the Shelter's financial assets as of December 31:

	<u>2025</u>	<u>2024</u>
Financial assets at year end		
Cash	\$ 6,064,206	\$ 7,517,613
Non-Endowed Investments	14,812,906	12,660,094
Accounts and Pledges Receivable	185,075	340,901
Estate Contributions Receivable	332,690	1,079,650
Less those unavailable for general expenses within one year, due to:		
Donor restricted net assets	<u>(456,009)</u>	<u>(601,060)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,938,868</u>	<u>\$ 20,997,198</u>

As part of the Organization's liquidity management, it retains cash in deposit accounts at financial institutions with a strong financial position and reputation. The Shelter manages its cash flow and liquidity on an on-going basis to ensure that sufficient funds are available to cover current operational needs. The Shelter's goal is generally to maintain a level of liquid financial assets sufficient to cover 45 days of operating expenses (approximately \$1,050,000). As part of its liquidity plan, the Shelter is continuously evaluating the amount of cash on hand and expected to be collected within 30 days, against current financial obligations.

NOTE 7. Net Assets

Net assets with donor restrictions are restricted for the following purposes or periods.

	<u>2025</u>	<u>2024</u>
Time restrictions:		
Unconditional Promises to Give	\$ 332,690	\$ 476,753
Total subject to Time Restrictions	<u>332,690</u>	<u>476,753</u>
Purpose restrictions:		
Low Income Financial Assistance for Services	98,854	99,531
Specific Program Services	24,465	24,776
Total subject to Purpose Restrictions	<u>123,319</u>	<u>124,307</u>
Subject to Spending Policy and Appropriation:		
Donor Restricted Endowments	1,075,457	919,293
Not Subject to Spending Policy and Appropriation:		
Beneficial Interest in Perpetual Trusts	864,850	796,439
Total subject to Spending Policy and Appropriations	<u>1,940,307</u>	<u>1,715,732</u>
Total Net Assets with donor restriction	<u>\$ 2,396,316</u>	<u>\$ 2,316,792</u>

SANTA FE ANIMAL SHELTER AND HUMANE SOCIETY, INC.
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NOTE 7. Net Assets (continued)

Beneficial Interest in Perpetual Trusts

Included in net assets with donor restriction are the beneficial interests of trusts held by third parties that are subject to restrictions in that the principal be invested in perpetuity. Annual trust distributions may be used for the operations of the Shelter and are recorded as investment income without donor restriction. The assets are recognized at fair market value. Adjustments to the fair market value of the assets are recognized as unrealized gains or losses with donor restrictions. The fair market values of these trusts were \$864,850 and \$796,439 at December 31, 2025 and 2024, respectively.

NOTE 8. Leases

Lease Income

The Shelter leases a portion of its facilities to the City of Santa Fe and Santa Fe County under separate operating lease agreements. The City of Santa Fe lease is set to expire in June 2028. The Santa Fe County lease, originally set to expire on June 30, 2025, was amended through Amendment No. 3 to extend the term through June 30, 2030.

During 2025, lease income from the City of Santa Fe was \$1,680 per month, totaling \$20,160 for the year. Lease income from Santa Fe County was \$1,572 per month from January through June 2025, totaling \$9,432, and \$1,651 per month from July through December 2025, totaling \$9,906, for total County lease income of \$19,336 in 2025.

Pursuant to Amendment No. 3, the Santa Fe County lease includes scheduled rent increases through the amended lease term. Future minimum lease revenue under the Santa Fe County lease is as follows: 2026: \$20,302; 2027: \$21,162; 2028: \$21,902; 2029: \$22,669; 2030: \$11,529 (lease expires June 30, 2030). Total future minimum lease revenue: \$97,564.

Operating Leases

The Shelter leases office equipment and retail store space for various terms under long-term, noncancelable lease agreements. The office equipment leases expire at various dates through 2027. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Furthermore, the Shelter leases retail space under an operating lease agreement through February 2031. Monthly lease expense under this agreement for retail space is \$6,028 per month until January 1, 2027, which then increases to \$6,631. This does not include additional costs for common area maintenance or other taxes. There are also additional lease costs for copiers and other leased property classified as short-term leases. Total rental expenses were \$150,261 and \$117,922 in 2025 and 2024, respectively.

The Shelter also leases land from the City of Santa Fe for a one-time fee of \$1,000. The original lease was entered into on May 31, 2000, for a term of 99 years, with the option to extend for an additional 49 years. This lease is not material to the financial statements.

The following table provides quantitative information concerning The Shelter's leases.

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NOTE 8. Leases (continued)

<u>Lease Costs:</u>	
Operating Lease Costs	\$ 78,230
 <u>Other Information</u>	
Net (Gain) Less from Sale/Leaseback Transactions	
Cash Paid for Amounts Included in the	
Measurement of Lease Liabilities:	
Operating Cash Flows from Operating Leases	\$ 74,894
Weighted-Average Remaining Lease Term -	
Operating Leases	5.1
Weighted-Average Discount Rate - Operating Leases	
	6.25%

The Shelter classifies the total undiscounted lease payments that are due in the next 12 months as current. A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2025, is as follows:

<u>Year Ending December 31,</u>	<u>Operating Lease</u>
2026	\$ 74,111
2027	80,314
2028	79,570
2029	79,570
2030	79,570
Thereafter	<u>13,262</u>
Total undiscounted cashflows	\$ 406,397
Less: imputed interest	<u>(60,418)</u>
Total present value of lease liabilities	<u>\$ 345,979</u>

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Note 9. Commitments and Contingencies

Retirement Plan

The Shelter sponsors a participant-directed 401(k) retirement plan covering eligible employees. Employees become eligible to participate in the plan after completing at least six months of consecutive service. Eligible employees may enter the plan on the semi-annual entry dates of January 1 or July 1, as defined by the plan. The Shelter makes biweekly matching contributions equal to 100% of employee salary deferrals up to 3% of compensation, plus 50% of employee deferrals exceeding 3% but not exceeding 5% of compensation for the calendar year. Employer matching contributions are fully vested immediately upon allocation to participants' accounts. For the years ended December 31, 2025, and 2024, the Shelter recognized retirement plan expense of \$91,494 and \$85,990, respectively.