

ANIMAL DEFENSE LEAGUE OF TEXAS

Audited Financial Statements

December 31, 2025



ADKF

CERTIFIED PUBLIC ACCOUNTANTS

ANIMAL DEFENSE LEAGUE OF TEXAS
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December 31, 2025 and 2024

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Animal Defense League of Texas
San Antonio, Texas

Opinion

We have audited the accompanying financial statements of Animal Defense League of Texas (the League) (a non-profit corporation), 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 Animal Defense League of Texas as of December 31, 2025 and 2024, and the change in 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the League 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 the League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

ADKF, PC
ADKF, P.C.
San Antonio, Texas
March 27, 2026

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Current Assets:		
Cash and cash equivalents:		
Available for operations	\$ 2,397,228	\$ 3,872,469
Donor restricted	1,751,289	1,831,428
Total cash and cash equivalents	<u>4,148,517</u>	<u>5,703,897</u>
Receivables:		
Animal Defense League Foundation	1,595,099	1,156,677
Pledges receivable, current portion	171,860	23,300
Other contributions	179,621	108,428
Inventory	102,598	96,570
Prepaid expenses	25,684	16,418
Investments, at fair value:		
Available for operations	1,324,247	1,611,591
Endowments, donor restricted	690,209	540,454
Total current assets	<u>8,237,835</u>	<u>9,257,335</u>
Property and Equipment:		
Land	424,597	391,752
Buildings	2,453,430	2,453,430
Building improvements	3,920,182	3,827,756
Pet park	180,598	93,808
Office furniture and equipment	1,347,352	1,339,688
Vehicles	141,472	141,472
Facility improvement projects in-process	534,329	81,526
Total property and equipment	<u>9,001,960</u>	<u>8,329,432</u>
Less accumulated depreciation	<u>(4,888,615)</u>	<u>(4,448,519)</u>
Net property and equipment	4,113,345	3,880,913
Non-Current Assets:		
Right-of-use operating lease asset	54,092	92,345
Pledges receivable, non-current portion, net of discount	1,013,535	57,830
Total non-current assets	<u>1,067,627</u>	<u>150,175</u>
Total Assets	<u>\$ 13,418,807</u>	<u>\$ 13,288,423</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 102,347	\$ 229,202
Accrued expenses	264,970	229,090
Operating lease right-of-use liability, current portion	22,674	44,424
Total current liabilities	<u>389,991</u>	<u>502,716</u>
Operating lease right-of-use liability, non-current portion	30,807	50,975
Total liabilities	<u>420,798</u>	<u>553,691</u>
Net Assets:		
Without donor restrictions:		
Board designated	1,823,988	1,823,988
Undesignated - available for general operations	5,934,343	7,302,055
Total without donor restrictions	<u>7,758,331</u>	<u>9,126,043</u>
With donor restrictions	5,239,678	3,608,689
Total net assets	<u>12,998,009</u>	<u>12,734,732</u>
Total Liabilities and Net Assets	<u><u>\$ 13,418,807</u></u>	<u><u>\$ 13,288,423</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Donations:			
Bequests and other	\$ 2,073,339	\$ 1,330,789	\$ 3,404,128
Animal Defense League Foundation	-	1,595,099	1,595,099
Direct mail	35,644	-	35,644
Grants	1,055,178	-	1,055,178
Medical services, net of costs	445,862	-	445,862
Merchandise revenues, net of costs	99,462	-	99,462
Special events, net of costs	145,416	-	145,416
Transfer and adoption fees	214,024	-	214,024
In-kind revenue	178,284	-	178,284
Total revenues and support	<u>4,247,209</u>	<u>2,925,888</u>	<u>7,173,097</u>
Expenses			
Program:			
Adoption center	1,019,628	-	1,019,628
Shelter	1,585,687	-	1,585,687
Hospital	2,903,254	-	2,903,254
Total program expenses	<u>5,508,569</u>	<u>-</u>	<u>5,508,569</u>
Management and general	1,729,952	-	1,729,952
Fundraising	248,158	-	248,158
Total expenses	<u>7,486,679</u>	<u>-</u>	<u>7,486,679</u>
Operating (Loss) Income	(3,239,470)	2,925,888	(313,582)
Investment Earnings			
Realized and unrealized gain			
on investment securities	256,660	134,231	390,891
Dividends and interest, net of fees	160,148	15,525	175,673
Oil and gas revenue	10,295	-	10,295
Investment earnings, net	<u>427,103</u>	<u>149,756</u>	<u>576,859</u>
Changes in Net Assets	(2,812,367)	3,075,644	263,277
Net assets released from restriction	1,444,655	(1,444,655)	-
Net assets at beginning of year	<u>9,126,043</u>	<u>3,608,689</u>	<u>12,734,732</u>
Net Assets at End of Year	<u>\$ 7,758,331</u>	<u>\$ 5,239,678</u>	<u>\$ 12,998,009</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Support			
Donations:			
Bequests and other	\$ 5,172,628	\$ 1,492,956	\$ 6,665,584
Animal Defense League Foundation	-	1,394,655	1,394,655
Direct mail	122,480	-	122,480
Grants	782,107	-	782,107
Medical services, net of costs	267,882	-	267,882
Merchandise revenues, net of costs	110,459	-	110,459
Special events, net of costs	150,931	-	150,931
Transfer and adoption fees	298,368	-	298,368
In-kind revenue	184,016	-	184,016
Total revenues and support	<u>7,088,871</u>	<u>2,887,611</u>	<u>9,976,482</u>
Expenses			
Program:			
Adoption center	985,132	-	985,132
Shelter	1,486,733	-	1,486,733
Hospital	2,564,449	-	2,564,449
Total program expenses	<u>5,036,314</u>	<u>-</u>	<u>5,036,314</u>
Management and general	2,023,058	-	2,023,058
Fundraising	618,978	-	618,978
Total expenses	<u>7,678,350</u>	<u>-</u>	<u>7,678,350</u>
Operating (Loss) Income	(589,479)	2,887,611	2,298,132
Investment Earnings			
Realized and unrealized gain			
on investment securities	125,553	2,761	128,314
Dividends and interest, net of fees	157,198	3,578	160,776
Oil and gas revenue	9,217	-	9,217
Investment earnings, net	<u>291,968</u>	<u>6,339</u>	<u>298,307</u>
Changes in Net Assets	(297,511)	2,893,950	2,596,439
Net assets released from restriction	1,500,760	(1,500,760)	-
Net assets at beginning of year	<u>7,922,794</u>	<u>2,215,499</u>	<u>10,138,293</u>
Net Assets at End of Year	<u>\$ 9,126,043</u>	<u>\$ 3,608,689</u>	<u>\$ 12,734,732</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2025

	Program			Management and General	Fundraising	Total
	Adoption Center	Shelter	Hospital			
Advertising	\$ -	\$ -	\$ -	\$ 22,979	\$ 459	\$ 23,438
Autos	2,267	1,178	3,706	7,382	9	14,542
Bank fees	2,226	78	2,382	41,510	-	46,196
Contract labor	-	-	-	78,746	-	78,746
Custodial expenses	7,181	20,550	-	2,835	-	30,566
Dues/subscriptions and education	1,200	25,950	4,216	40,629	2,599	74,594
Employee meals	238	5,744	167	4,300	373	10,822
Employee medical	58,241	104,753	102,507	33,760	19,554	318,815
Employer 403B match	6,384	-	34,245	10,253	600	51,482
Hospital	-	-	438,568	-	-	438,568
In-kind expense	-	59,459	59,405	1,272	25,303	145,439
Insurance	-	-	-	148,407	-	148,407
Kennel	9,887	85,287	65,909	644	20	161,747
Legal	-	-	-	10,732	10,665	21,397
Miscellaneous	-	-	58	12,328	69	12,455
Office expense	2,144	203	2,184	42,692	628	47,851
Payroll service	-	-	-	66,225	-	66,225
Payroll taxes	54,317	73,745	143,354	57,966	4,323	333,705
Pet cremation	-	-	2,296	-	-	2,296
Postage and printing	-	-	16	21,853	1,359	23,228
Professional services	-	-	-	77,604	93,950	171,554
Repairs and maintenance	100	10,935	5,895	198,150	-	215,080
Salaries	686,138	949,704	1,837,527	777,276	86,559	4,337,204
Security	3,153	250	1,601	-	-	5,004
Supplies	3,652	23,808	6,418	13,166	85	47,129
Taxes and licenses	-	-	-	1,188	-	1,188
Telephone	22,228	-	-	23,251	-	45,479
Travel	205	-	141	182	62	590
Utilities	91,185	46,576	33,494	-	-	171,255
Veterinary	-	-	1,582	-	-	1,582
Depreciation	68,882	177,467	157,583	34,622	1,541	440,095
Total Functional Expenses	\$ 1,019,628	\$ 1,585,687	\$ 2,903,254	\$ 1,729,952	\$ 248,158	\$ 7,486,679
Other costs not included above:						
Medical services			\$ 28,834			
Merchandise	\$ 72,586					
Special events, direct costs:						
Other direct costs					\$ 67,906	

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2024

	Program			Management and General	Fundraising	Total
	Adoption Center	Shelter	Hospital			
Advertising	\$ -	\$ -	\$ -	\$ -	\$ 32,510	\$ 32,510
Autos	2,551	5,048	5,025	6,121	571	19,316
Bank fees	25,483	-	12,697	6,615	-	44,795
Contract labor	-	-	93,880	122,727	5,449	222,056
Custodial expenses	6,359	19,124	-	-	-	25,483
Dues/subscriptions and education	-	5,055	10,359	28,243	12,291	55,948
Employee meals	171	6,853	24	4,368	2,655	14,071
Employee medical	65,897	118,523	115,981	38,198	22,124	360,723
Employer 403B match	-	-	-	46,834	-	46,834
Equipment rental	-	1,710	-	-	-	1,710
Hospital	-	-	427,189	-	-	427,189
In-kind expense	-	100,000	74,516	9,500	-	184,016
Insurance	-	-	-	139,930	-	139,930
Kennel	7,807	140,826	61,410	-	464	210,507
Legal	-	-	-	25,833	-	25,833
Miscellaneous	-	-	-	1,911	-	1,911
Office expense	18,392	1,867	12,685	26,500	9,385	68,829
Payroll service	-	-	-	127,380	-	127,380
Payroll taxes	51,294	69,146	120,908	67,842	25,860	335,050
Pet cremation	-	-	1,964	-	-	1,964
Postage and printing	68	-	20	7,318	17,329	24,735
Professional services	-	-	-	40,414	55,810	96,224
Repairs and maintenance	7,216	6,721	4,599	89,948	-	108,484
Salaries	674,320	911,735	1,568,022	868,791	433,496	4,456,364
Security	2,884	-	739	-	-	3,623
Supplies	8,032	46,215	17,085	1,971	844	74,147
Taxes and licenses	261	260	455	2,485	43	3,504
Telephone	22,231	-	-	17,650	-	39,881
Travel	-	5,552	77	6,413	147	12,189
Utilities	92,166	48,098	33,633	-	-	173,897
Veterinary	-	-	3,181	-	-	3,181
Depreciation	-	-	-	336,066	-	336,066
Total Functional Expenses	<u>\$ 985,132</u>	<u>\$ 1,486,733</u>	<u>\$ 2,564,449</u>	<u>\$ 2,023,058</u>	<u>\$ 618,978</u>	<u>\$ 7,678,350</u>
Other costs not included above:						
Medical services			<u>\$ 2,791</u>			
Merchandise	<u>\$ 98,084</u>					
Special events, direct costs:						
Other direct costs					<u>\$ 117,450</u>	

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Cash Flows
Years Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Operating Activities		
Change in net assets	\$ 263,277	\$ 2,596,439
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	440,095	336,066
Noncash lease expense	40,759	33,477
Contribution of inkind property	(32,845)	-
Contributions restricted for long-term purpose	(1,330,789)	(1,948,212)
Realized and unrealized gain on investments	(390,891)	(128,314)
Changes in operating assets and liabilities:		
Accounts receivable from ADL Foundation	(438,422)	(144,257)
Pledges receivable	(182,315)	-
Other contributions	(71,193)	87,310
Inventory	(6,028)	20,454
Prepaid expenses	(9,266)	(6,971)
Accounts payable and accrued expenses	(90,975)	197,160
Operating lease right-of-use liability	<u>(44,424)</u>	<u>(30,423)</u>
Net cash (used) provided by operating activities	<u>(1,853,017)</u>	<u>1,012,729</u>
Investing Activities		
Investment activity, net	528,480	(1,086,130)
Donor endowment contributions	-	450,000
Purchases of property and equipment	<u>(639,682)</u>	<u>(697,260)</u>
Net cash (used) by investing activities	<u>(111,202)</u>	<u>(1,333,390)</u>
Financing Activities		
Contributions restricted for long-term purpose	<u>408,839</u>	<u>1,952,862</u>
Net cash provided by financing activities	<u>408,839</u>	<u>1,952,862</u>
Change in cash and cash equivalents	(1,555,380)	1,632,201
Cash and cash equivalents at beginning of year	<u>5,703,897</u>	<u>4,071,696</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 4,148,517</u></u>	<u><u>\$ 5,703,897</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE A – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: The Animal Defense League of Texas (the League) is incorporated in the State of Texas as a not-for-profit corporation. Its primary mission is finding homes for abandoned animals, preventing cruelty to animals, and promoting humane and kind treatment. The League operates from two locations, with its main facility on Nacogdoches Road and a second on Tuleta Drive.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the League generally are not considered “restricted” under GAAP, though for internal reporting the League tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions, board designated.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the League’s mission and purpose. 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. Donor imposed restrictions are released when the 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. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The League recognizes contributions and grants as revenue when cash, securities, other assets, or an unconditional promise are received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Contributions and grants are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

Gifts of equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets, are reported as with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Program revenue for various services such as adoptions, medical services and merchandise sales are recognized as revenue at the time the service is performed, or merchandise is delivered net of related cost of sales. Such revenues are recognized at the time of service.

Functional Allocation of Expenses: The costs of providing the services and other activities are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. These expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated include personnel costs which are allocated on the basis of time and effort, as well as facilities and operations, which are allocated on a square-footage or other reasonable basis.

Special Events: Costs associated with Special Events are netted against the related revenue.

Advertising: Advertising and marketing costs are expensed as incurred and totaled approximately \$23,000 in 2025 and \$36,000 in 2024.

Cash and Cash Equivalents: Cash and cash equivalents consist of cash-on-hand, demand deposits held by financial institutions and any equivalent securities with an original maturity of three months or less.

Contributions and Pledges Receivable: Legally enforceable pledges and contributions, less an allowance for bad debts, are recorded as receivables in the year made unless the pledge or contribution is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. No allowance was deemed necessary for 2025 and 2024.

Inventory: Inventory is valued at lower of cost or net realizable value determined on a specific identification basis. Inventory consists of various medical and pet supplies.

Investments: Investments are reported at fair value determined by quoted market prices. Investment interest and dividends are reported net of fees of \$5,900 in 2025 and \$4,800 in 2024. Gains and losses (realized and unrealized) are included in the accompanying Statements of Activities.

Endowments: The League's endowment consist of funds established for a variety of purposes. Its endowment is a donor-restricted endowment fund. The principal balance of the donor-restricted endowment is reported with donor restrictions based on the existence of such restrictions. Any earnings not expended at year end are reported with donor restrictions.

Property and Equipment: Property and equipment is valued at historical cost or estimated fair value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to five years for furniture, equipment and vehicles and seven to forty years for buildings and improvements).

Income Taxes: The League is a not-for-profit organization exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code. In addition, the League has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The League is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

Leases: Operating lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. The League uses the risk-free discount rate to determine the present value of lease payments, according to the League's elected policy, unless a readily determinable implicit rate is available. The League also applies a policy for practical expedient which permits operating leases with a term of less than 12 months to be excluded from lease assets and liabilities. In determining lease asset values, the League considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. Leased assets are presented as a right-to-use asset with the corresponding liability on the balance sheet. Operating lease expense is recognized in operating expenses on a straight-line basis over the lease term. The League's leases may include a non-lease component representing additional services transferred to the League. The League elected an accounting policy to treat each separate lease component and its related non-lease components as a single lease component. Non-lease components that are variable in nature are recorded in variable lease expense in the period incurred.

Donated Services and Materials: The League receives donated services and materials from a variety of sources. These services and materials include in-kind contributions of dog food and volunteer hours. The dog food is valued based on the estimated fair market value on the date of contribution. See Note B for volunteer hours and Note F for donated food.

Employee Benefit Plan: The League has a defined contribution 403(b) plan that covers substantially all employees. Employees may contribute a percentage of their annual compensation as allowed by the internal revenue code. The League matches a portion of employees' contributions on an annual basis, subject to Board approval. The League contributed approximately \$51,000 in 2025 and \$47,000 in 2024 to the Plan.

Concentrations of Credit Risk: Financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and investments. The League places its cash and investments in certificates of deposit and high-rated corporate bonds and equities, and limits the amount of credit exposure, although it may from time to time have investments in excess of that insured by the FDIC and SIPC. The League maintains cash deposits with major banks, which, from time-to-time, may exceed federal insured limits. Accounts at each institution are insured by the FDIC up to \$250,000. At December 31, 2025 and 2024, the Organization had approximately \$3,601,000 and \$6,144,000, respectively in amounts exceeding the FDIC insured limit. Investments are insured by the Securities Investor Protection Corporation (SIPC) up to \$500,000 per brokerage account.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report, the date the financial statements were available to be issued. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Use of Estimates: The preparation of financial statements in conformity with U.S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification: Certain amounts reported have been reclassified to maintain consistency between periods presented. The reclassifications, none of which were significant, had no effect on the previously reported change in net assets.

NOTE B – VOLUNTEER ASSISTANCE

The League benefits from the assistance of many volunteers. In accordance with GAAP, the value of contributed services received are recognized if they (a) create or enhance a nonfinancial asset or (b) required specialized skills, provided by individuals possessing those skills, that would be purchased if they were not donated. The League receives a substantial number of volunteers and volunteer hours each year. However, since the volunteer assistance received by the League during 2025 and 2024 does not meet these criteria, the League did not recognize the value of assistance in its financial statements.

NOTE C – ANIMAL DEFENSE LEAGUE FOUNDATION

The Animal Defense League Foundation (the Foundation) provides support to the League. The Foundation has a separate Board of Trustees (although some members do serve on both Boards) and is a legally separate entity. In accordance with GAAP, consolidation is not required. Under the accrual basis of accounting, the League recognized revenue from the Foundation of \$1,595,099 in 2025 and \$1,156,677 in 2024 which is received by the League in the respective subsequent year. The receivables are reported as with donor restrictions as they are designated for operations in the subsequent year.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE D – PLEDGES RECEIVABLE

Pledges receivable consist of the following at:

	<u>2025</u>	<u>2024</u>
Due within one year	\$ 171,860	\$ 23,300
Due in years two to five	<u>1,031,220</u>	<u>57,830</u>
Total pledges	1,203,080	81,130
Less present value discount	<u>(17,685)</u>	<u>-</u>
 Pledges, net	 <u><u>\$ 1,185,395</u></u>	 <u><u>\$ 81,130</u></u>

NOTE E – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2025</u>	<u>2024</u>
Time restrictions:		
Animal Defense League Foundation	\$ 1,595,099	\$ 1,394,655
San Antonio Area Foundation	50,000	100,000
Purpose restrictions:		
Capital Campaign	<u>2,904,369</u>	<u>1,573,580</u>
Total purpose and time restricted	4,549,468	3,068,235
 Donor restricted endowment permanent contribution	 520,000	 520,000
Endowment earnings available for appropriations	<u>170,210</u>	<u>20,454</u>
Total donor restricted endowment	<u>690,210</u>	<u>540,454</u>
 Total net assets with donor restrictions	 <u><u>\$ 5,239,678</u></u>	 <u><u>\$ 3,608,689</u></u>

NOTE F – IN-KIND REVENUE

During the years ended December 31, 2025 and 2024, the League received donated goods in the amount of \$178,284 and \$184,016 respectively, which are recorded as in-kind support on the Statement of Activities. These goods are primarily donated animal food, supplies and land. Donated goods are received and used to feed and provide for animals at the shelter and have no donor restrictions. In valuing the donated goods, the League estimates the fair value of the food and supplies on the basis of wholesale values that would be received for selling similar products in the United States.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE F – IN-KIND REVENUE – continued

In-kind expense per the Statement of Functional Expenses, in 2025, totaled \$145,439. The difference between in-kind revenue and in-kind expense relates to donated land totaling \$32,845, which was valued at comparable fair market rates and is recorded on the Statement on Financial Position. Currently, the League does not have plans to sell the land.

NOTE G – OPERATING LEASES

The League has operating leases for office equipment. Rent expense associated with non-cancellable operating leases totaled \$44,424 in 2025 and \$30,423 in 2024. The weighted-average lease term was 2.6 and 3.0 years and the weighted-average discount rate was 3.64% and 3.15% at December 31, 2025 and 2024, respectively.

Future commitments related to the operating lease agreement are as follows:

<u>Year Ending December 31,</u>	
2026	\$ 22,674
2027	18,324
2028	<u>15,270</u>
Total minimum lease payments	56,268
Less: imputed interest	<u>(2,787)</u>
Total lease liability	<u>\$ 53,481</u>

NOTE H – FAIR VALUE MEASUREMENTS

In accordance with U.S. GAAP, the League utilizes a fair value hierarchy that prioritizes the inputs for the 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the League 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
 - if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE H – FAIR VALUE MEASUREMENTS – continued

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.

The following table sets forth by level, within the fair value hierarchy, investments measured at fair value:

<u>December 31, 2025</u>	Fair Value Measurement Using			Total
	Level 1	Level 2	Level 3	
Investments and Endowed Investments:				
Cash and money markets	\$ 13,635	\$ -	\$ -	\$ 13,635
Corporate Bonds	-	684,151	-	684,151
Equity securities	770,016	-	-	770,016
Exchange traded products	546,654	-	-	546,654
Total investments, at fair value	<u>\$ 1,330,305</u>	<u>\$ 684,151</u>	<u>\$ -</u>	<u>\$ 2,014,456</u>
 <u>December 31, 2024</u>				
Investments and Endowed Investments:				
Cash and money markets	\$ 158,767	\$ -	\$ -	\$ 158,767
Corporate Bonds	-	508,640	-	508,640
Equity securities	627,885	-	-	627,885
Exchange traded products	856,753	-	-	856,753
Total investments, at fair value	<u>\$ 1,643,405</u>	<u>\$ 508,640</u>	<u>\$ -</u>	<u>\$ 2,152,045</u>

There have been no changes in methodologies used, nor transfers between levels. Following is a description of the valuation methodologies used for various types of assets measured at fair value:

Cash and money markets: Valued at its cost plus accrued interest.

Corporate Bonds: Valued at the quoted price for identical or similar bond, generally in an inactive market.

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

Exchange traded products: Valued at the net asset value (NAV).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the League 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.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE I – ENDOWMENT

The League's endowments, established in 2022 (Narup Endowment) and 2024 (Shackelford Endowment), consist of funds established for a variety of purposes within its mission. Both endowments are considered donor restricted at December 31, 2025. The principal balance of both endowments are reported with donor restrictions based on the existence of such restrictions. Any earnings not expended at year end are reported with donor restrictions. The League follows the following policies with respect to its endowment investments:

Interpretation of Relevant Law: The League has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the League classifies net assets with donor restrictions: (a) the original value of gifts to be held in perpetuity, (b) the original value of subsequent gifts to be held in perpetuity, and (c) accumulations in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the net assets with donor-restriction are released when the time restriction has expired. The following factors, among others, are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the League and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of the League
- 7) The investment policies of the League

The composition of the endowment net assets has original gifts required to be held in perpetuity by the donor of \$520,000 at December 31, 2025 and 2024.

Funds with Deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment fund may fall below the level that the donor of SPMIFA required the League to retain as a fund of perpetual duration. There were no such deficiencies as of December 31, 2025 and 2024.

Return Objectives and Risk Parameters: The League has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index, while assuming a moderate level of investment risk. Endowment funds over time are expected to provide a positive rate of return. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the League relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The League targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2025 and 2024

NOTE I – ENDOWMENT – continued

Spending Policy and How the Investment Objectives Relate to Spending Policy: The League has not established a rigid policy for distributions. Interest and dividends earned are used for normal operations.

Changes in endowment net assets with donor restrictions are as follows for the years ended December 31:

	<u>2025</u>	<u>2024</u>
Endowment funds, beginning of year	\$ 540,454	\$ 78,859
Interest and dividends	15,525	3,578
Realized and unrealized gains	134,231	2,761
Contributions	<u>-</u>	<u>455,256</u>
Endowment funds, end of year	<u>\$ 690,210</u>	<u>\$ 540,454</u>

NOTE J – LINE OF CREDIT

On December 5, 2025, the League entered into a construction line of credit agreement with a financial institution in the amount of \$4,000,000 to provide financing for the construction of a new building, the Isolation Facility, associated with the League’s ongoing capital campaign. As of December 31, 2025, no amounts had been drawn on the line of credit. The League intends to utilize proceeds from its capital campaign to fund the project and may draw on the line of credit, if necessary. The line of credit matures on December 5, 2046.

NOTE K – CONTINGENCY

The League is involved in various claims and litigation from time to time. Management does not expect any such matters in which it is currently involved to result in a significant loss.

NOTE L – CITY OF SAN ANTONIO LEASES

In 2013, the League entered into a funding agreement and various leases related to the building of a kennel facility located on League property. The construction of the kennels were paid by the City of San Antonio (COSA) using bond proceeds up to \$2.13 million. Construction costs which exceeded that amount were paid by the League. COSA, the owner of the kennels, leases the real estate which house the kennels from the League for a 25 year period. The League, through a sub-ground lease, leases the kennels from COSA for the same 25 year period. The League operates the kennels to ensure the rescue of animals in the greater San Antonio area. After the 25 year lease term, ownership of the facility will be transferred to the League. No estimated fair value of this lease has been recorded as the estimated fair value of the lease was not readily determinable.

ANIMAL DEFENSE LEAGUE OF TEXAS
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NOTE M – PAUL JOLLY CENTER FOR PET ADOPTIONS

The League entered into a thirty-six month operating lease for the Paul Jolly Center for Pet Adoptions (Center), facility with the City of San Antonio (COSA) effective November 1, 2019, and has extended for an additional three years through 2025. Additionally, the League has an option to renew the lease for two additional 3 year terms, if performance requirements are met. Effective March 20, 2025, the League renewed the contract for an additional three years through October 31, 2028. The League leases the facility at a nominal rate of \$1 per year. The League uses the premises for the purpose of operating an animal adoption center, known as the Paul Jolly Center. In 2025, the Center had revenue of approximately \$758,000 and operating expenses of \$540,000. In 2024, the Center had revenue of approximately \$397,000 and operating expenses of \$557,000. No estimated fair value of this lease has been recorded as the estimated fair value of the lease was not readily determinable.

NOTE N – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The League has approximately \$5,496,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures. This consists of unrestricted cash of approximately \$2,397,000, accounts receivable of \$1,775,000 and investments without donor restrictions of approximately \$1,324,000 at December 31, 2025.