

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITORS' REPORT

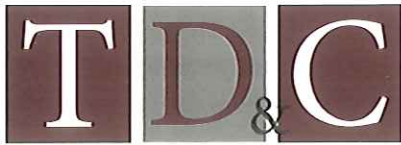
AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2015

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THOMPSON, DERRIG & CRAIG, P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aggieland Humane Society

We have audited the accompanying financial statements of Aggieland Humane Society (a nonprofit organization), which comprise the statement of financial position as of September 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

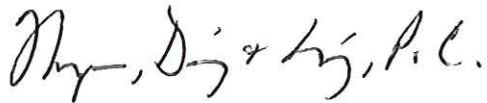
Woody Thompson, CPA/CFP | Ronnie Craig, CPA | Dillard Leverkus, CPA | Lyn Kuciemba, CPA | James Larkin, CPA
Peggy Adcock, CPA | Sandy Beavers, CPA | Alline Briers, CPA | Priscilla Butler, CPA | Nicole Carlton, CPA | Gay Vick Craig, CPA
Kay Dobbins, CPA | Harrison Fox, CPA | Alice Monroe, CPA | A.J. Taylor, CPA | Lindsey Thomson, CPA | Marian Rose Varisco, CPA

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aggieland Humane Society as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Aggieland Humane Society's 2014 financial statements, and our report dated January 9, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



THOMPSON, DERRIG & CRAIG, PC
College Station, Texas

January 14, 2016

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets:		
Current assets		
Cash and cash equivalents	\$ 1,142,688	\$ 350,387
Short-term investments	113,792	115,363
Accounts receivable	-	16,245
Pledges receivable, net	<u>71,703</u>	<u>-</u>
Total current assets	<u>1,328,183</u>	<u>481,995</u>
Property and equipment (net)	<u>1,114,867</u>	<u>1,120,370</u>
Other assets		
Restricted investments	25,000	-
Pledges receivable, net of current portion	208,584	-
Cash surrender value of life insurance	<u>2,949</u>	<u>2,949</u>
Total other assets	<u>236,533</u>	<u>2,949</u>
Total Assets	<u><u>\$ 2,679,583</u></u>	<u><u>\$ 1,605,314</u></u>
Liabilities:		
Current liabilities		
Accounts payable	\$ 16,434	\$ 32,505
Accrued expenses	<u>29,297</u>	<u>21,010</u>
Total current liabilities	<u>45,731</u>	<u>53,515</u>
Net Assets:		
Unrestricted	2,348,151	1,521,683
Temporarily restricted	<u>285,701</u>	<u>30,116</u>
Total net assets	<u>2,633,852</u>	<u>1,551,799</u>
Total Liabilities and Net Assets	<u><u>\$ 2,679,583</u></u>	<u><u>\$ 1,605,314</u></u>

See independent auditors' report and notes to financial statements.

AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH COMPARATIVE TOTALS FOR 2014

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
Support and Revenue:				
Animal care revenue:				
Adoption	\$ 94,967	\$ -	\$ 94,967	\$ 83,474
Impoundment	22,160	-	22,160	21,889
Surrender fees	6,310	-	6,310	2,693
Disposal services	5,511	-	5,511	6,636
Tags and microchips	262,563	-	262,563	248,610
Government contracts	304,162	-	304,162	289,939
Room and board	2,231	-	2,231	3,453
Rabies quarantine fees	19,808	-	19,808	15,856
	<u>717,712</u>	<u>-</u>	<u>717,712</u>	<u>672,550</u>
Contributions and fundraising:				
Contributions	327,161	307,542	634,703	245,379
Volunteer program	19,830	-	19,830	17,420
In-kind contributions	325,482	-	325,482	347,079
	<u>672,473</u>	<u>307,542</u>	<u>980,015</u>	<u>609,878</u>
Other:				
Investment/Interest income	10,287	-	10,287	5,251
Miscellaneous income	6,341	-	6,341	10,774
Oil and gas royalties	8,626	-	8,626	16,433
Sale of mineral interests	743,640	-	743,640	-
Investment gains (losses)	(7,989)	-	(7,989)	4,862
Assets released from restrictions	51,957	(51,957)	-	-
	<u>812,862</u>	<u>(51,957)</u>	<u>760,905</u>	<u>37,320</u>
Total Support and Revenue	<u>2,203,047</u>	<u>255,585</u>	<u>2,458,632</u>	<u>1,319,748</u>
Expenses:				
Program (animal care)	1,121,926	-	1,121,926	1,005,983
Fundraising	117,389	-	117,389	84,066
Administrative	137,264	-	137,264	102,998
	<u>1,376,579</u>	<u>-</u>	<u>1,376,579</u>	<u>1,193,047</u>
Total Expenses	<u>1,376,579</u>	<u>-</u>	<u>1,376,579</u>	<u>1,193,047</u>
Change in net assets	826,468	255,585	1,082,053	126,701
Beginning net assets	1,521,683	30,116	1,551,799	1,425,098
Ending net assets	<u>\$ 2,348,151</u>	<u>\$ 285,701</u>	<u>\$ 2,633,852</u>	<u>\$ 1,551,799</u>

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
WITH COMPARATIVE TOTALS FOR 2014**

	Program			Totals	
	(Animal Care)	Fundraising	Administrative	2015	2014
Salaries	\$ 361,589	\$ 36,159	\$ 54,238	\$ 451,986	\$ 336,250
Payroll taxes	27,073	2,707	4,061	33,841	28,722
Payroll related items	33,921	3,392	5,088	42,401	37,318
Advertising	199,845	-	-	199,845	210,156
Veterinary expenses	138,090	-	-	138,090	159,401
Special events	-	44,608	-	44,608	28,206
Spay / neuter expenses	94,545	-	-	94,545	94,383
Kennel supplies	72,176	-	-	72,176	51,897
Computer expense	11,951	2,389	9,562	23,902	15,460
Depreciation expense	27,125	-	9,042	36,167	28,933
Insurance	5,024	-	5,024	10,048	10,626
Auto expense	2,403	-	2,403	4,806	6,406
Microchip expense	12,380	-	-	12,380	10,211
Education	11,477	-	-	11,477	7,370
Repairs and maintenance	20,715	-	6,905	27,620	12,512
Telephone and utilities	18,566	-	6,189	24,755	24,114
Directors and officers insurance	-	-	3,703	3,703	1,724
Cremation expense	6,853	-	-	6,853	7,535
Bank charges	-	3,418	3,417	6,835	6,302
Retail goods	-	2,840	-	2,840	7,869
Office expenses	13,022	21,876	17,188	52,086	24,076
Professional fees	49,922	-	10,444	60,366	75,990
Volunteer expenses	8,686	-	-	8,686	5,958
Miscellaneous expenses	6,563	-	-	6,563	1,628
TOTAL EXPENSES	\$ 1,121,926	\$ 117,389	\$ 137,264	\$ 1,376,579	\$ 1,193,047

See independent auditors' report and notes to financial statements.

AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

Cash Flows from Operating Activities:

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ 1,082,053	\$ 126,701
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation	36,167	28,933
Gain on disposition	(743,640)	-
Unrealized (gain) loss on investments	7,989	(4,862)
Change in operating assets and payables:		
Accounts receivable	16,245	1,101
Pledges receivable	(280,287)	-
Accounts payable	(16,071)	(13,303)
Accrued expenses	8,287	1,988
Net cash provided by operating activities	<u>110,743</u>	<u>140,558</u>

Cash Flows from Investing Activities:

Proceeds from sale of mineral interests	743,640	-
Purchase of property and equipment	(30,664)	(70,491)
Net change investments	<u>(31,418)</u>	<u>(5,135)</u>
Net cash used by investing activities	<u>681,558</u>	<u>(75,626)</u>
Change in cash	792,301	64,932
Beginning cash	<u>350,387</u>	<u>285,455</u>
Ending cash	<u>\$ 1,142,688</u>	<u>\$ 350,387</u>

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

Note 1 – Summary of Significant Accounting Policies

Nature of activities

The Aggieland Humane Society (formerly Brazos Animal Shelter, Inc.) is a nonprofit corporation, chartered in the State of Texas on October 31, 1980. The Aggieland Humane Society's purpose is to improve the quality of life for people and animals of the Brazos Valley through professional animal services. Counties served by the Aggieland Humane Society are Brazos, Burleson, Grimes, Leon, Madison, Robertson and Washington counties. The Aggieland Humane Society is supported by private donations, contracts with local governments, fundraising events, and fees for services. The Aggieland Humane Society has no stockholders or equity owners and is governed by a board of directors made up of community volunteers.

The mission of the Aggieland Humane Society is to provide humane shelter, care, and placement for stray and unwanted animals, promote the human animal bond and responsible pet ownership to enhance the quality of life for the people and animals in our community.

Basis of accounting

The financial statements of the Aggieland Humane Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of presentation

The Aggieland Humane Society's financial statements present information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

The Aggieland Humane Society considers all highly liquid investments with a maturity of twelve months or less when purchased to be cash equivalents.

Fair value of financial instruments

The carrying amounts of cash equivalents, receivables, and accounts payable approximate fair value because of the short maturity of those instruments.

See independent auditors' report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

Note 1 – Summary of Significant Accounting Policies (Continued)

Fixed assets

Acquisitions of furniture and equipment in excess of \$1,000 are capitalized. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method.

Public support, revenue, and pledges

Grants and other contributions of cash and other assets are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Income tax status

The Aggieland Humane Society is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code 501(c)(3). The Aggieland Humane Society believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The information returns remain open and subject to review by taxing jurisdictions for three years after they are filed.

Note 2 – Restrictions on Net Assets

Temporarily restricted net assets consist of donor-restricted funds as shown below:

	2015	2014
Future expenses	\$ 5,414	\$ 51,957
Pledges receivable	280,287	-
	\$ 285,701	\$ 51,957

Note 3 – Donated Services and Support

The Aggieland Humane Society received donated services from numerous volunteers performing non-professional functions. The value of these services is not reflected in the accompanying financial statements because they do not meet the criteria for recognition. However, the value of these services for the years ended September 30, 2015 and 2014 is estimated to be approximately \$113,884 and \$101,000 based on total volunteer hours of 11,863 and 10,539, respectively, at an average hourly rate of \$9.60.

See independent auditors' report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 3 – Donated Services and Support (Continued)

The value of donated services and materials included as contributions and corresponding expenses for the years ended September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Special events	\$ 29,500	\$ 22,200
Vet and vet tech services	109,041	117,056
Repairs	-	2,000
Advertising	172,067	175,659
Vehicle	-	1,300
Drugs and supplies	14,874	28,864
	<u>\$ 325,482</u>	<u>\$ 347,079</u>

Note 4 – Property and Equipment

Property and equipment at September 30, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Land	\$ 182,787	\$ 182,787
Buildings	941,837	934,121
Kennels	64,104	64,104
Furniture, fixtures & office equipment	26,436	21,173
Vehicles	73,412	55,727
	<u>1,288,576</u>	<u>1,257,912</u>
Less: accumulated depreciation	<u>(173,709)</u>	<u>(137,542)</u>
Net property and equipment	<u>\$ 1,114,867</u>	<u>\$ 1,120,370</u>

Note 5 – Investments

Short-term investments consist primarily of stocks and money market funds. The fair value of investments is estimated based on quoted market prices as of the last trading day for the Aggieland Humane Society's fiscal years. The fair values at September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Money Market	\$ 18,002	\$ 18,001
Stocks	113,792	115,363
	<u>\$ 131,794</u>	<u>\$ 133,364</u>

See independent auditors' report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014

Note 5 – Investments (Continued)

Investment return for the years ended September 30, 2015 and 2014 is summarized as follows:

	2015	2014
Interest and dividends	\$ 10,287	\$ 5,251
Unrealized gains (losses)	(7,989)	4,862
	\$ 2,298	\$ 10,113

FASC 820-10-65, *Fair Value Measurements and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted market prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Aggieland Humane Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Aggieland Humane Society measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

Level 1 – The fair value of securities and other investment instruments is based on quoted net asset values of the shares held at year end.

	2015	2014
Level 1:		
Investments	\$ 113,792	\$ 115,363
	\$ 113,792	\$ 115,363

Note 6 – Pledges Receivable

During the year ended September 30, 2015, Aggieland Humane Society began a fundraising campaign with a kickoff luncheon held in January. During the year, pledges to the campaign totaled \$453,933 to be received over 5 years. The pledges were recorded at net present value with an estimated fifteen percent uncollectible allowance. At September 30, 2015, the remaining balance on the pledges was \$280,287, as shown below:

Gross pledges	\$ 453,933
Estimated uncollectible	(49,463)
Discount to NPV	(14,183)
Payments received	(110,000)
	\$ 280,287

See independent auditors' report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015 AND 2014**

Note 6 – Pledges Receivable (Continued)

Future amounts due on these pledges are shown below:

Year 1	\$ 71,703
Year 2	68,743
Year 3	66,515
Year 4	61,832
Year 5	<u>11,494</u>
	<u>\$ 280,287</u>

Note 7 – Subsequent Event

Management has evaluated subsequent events through January 14, 2016, the date the financial statements were available to be issued.

See independent auditors' report.