

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1- 2
Statements of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13



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

INDEPENDENT AUDITOR'S 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, 2019, 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.

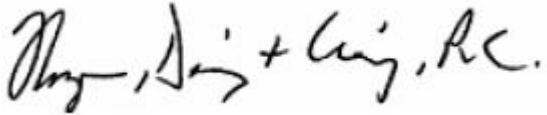
Opinion

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, 2019, 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.

Woody Thompson, CPA/CFP | Ronnie Craig, CPA | Dillard Leverkuhn, CPA | Lyn Kuciemba, CPA | James Larkin, CPA
Peggy Adcock, CPA | Sandy Beavers, CPA | Alline Briers, CPA | Priscilla Butler, CPA | Kyle Cox, CPA | Gay Vick Craig, CPA | Kay Dobbins, CPA
Deanna Harris, CPA | Emily Hogan, CPA | Logan Kendrick, CPA | Esther Parra, CPA | A.J. Taylor, CPA | Marian Rose Varisco, CPA

Report on Summarized Comparative Information

We have previously audited the Aggeland Humane Society's 2018 financial statements, and our report dated February 15, 2019, 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, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script that reads "Thompson, Derrig & Craig, P.C."

THOMPSON, DERRIG & CRAIG, PC

January 28, 2020

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,604,582	\$ 895,476
Short-term investments	338,796	845,125
Contributions receivable	-	28,256
Grants receivable	41,328	40,482
Pledges receivable, net	153,546	169,910
Prepaid expenses	6,052	4,450
Total current assets	2,144,304	1,983,699
Property and equipment (net)	1,253,239	1,304,459
Other assets		
Community Foundation	25,000	25,000
Pledges receivable, net of current portion	373,408	403,142
Cash surrender value of life insurance	2,949	2,949
Total other assets	401,357	431,091
Total Assets	\$ 3,798,900	\$ 3,719,249
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 4,022	\$ 3,330
Accrued expenses	31,299	35,049
Deferred revenue	-	11,916
Total current liabilities	35,321	50,295
Net Assets:		
Without donor restrictions	3,146,419	3,025,602
With donor restrictions	617,160	643,352
Total net assets	3,763,579	3,668,954
Total Liabilities and Net Assets	\$ 3,798,900	\$ 3,719,249

See independent auditor's report and notes to financial statements.

AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2019	2018
Support and Revenue:				
Animal care revenue:				
Adoption	\$ 90,603	\$ -	\$ 90,603	\$ 91,225
Animal care services	35,990	-	35,990	41,560
Tags and microchips	244,588	-	244,588	252,359
Shelter contracts	395,500	-	395,500	380,451
Spay / neuter services	145,968	-	145,968	131,322
Total Revenue	<u>912,649</u>	<u>-</u>	<u>912,649</u>	<u>896,917</u>
Contributions and fundraising:				
Contributions	430,516	180,439	610,955	854,619
Volunteer program	18,966	-	18,966	21,950
Weinerfest	4,605	-	4,605	13,906
In-kind contributions	215,100	-	215,100	267,418
Total Support	<u>669,187</u>	<u>180,439</u>	<u>849,626</u>	<u>1,157,893</u>
Other:				
Interest income	4,737	-	4,737	5,636
Miscellaneous income	7,703	-	7,703	3,642
Oil and gas royalties	7,712	-	7,712	45,563
Investment income	34,028	-	34,028	17,824
Assets released from restrictions				
Pledges received	121,618	(121,618)	-	-
Use in restricted program	85,013	(85,013)	-	-
Total Other	<u>260,811</u>	<u>(206,631)</u>	<u>54,180</u>	<u>72,665</u>
Total Support and Revenue	<u>1,842,647</u>	<u>(26,192)</u>	<u>1,816,455</u>	<u>2,127,475</u>
Expenses:				
Program (animal care)	1,084,923	-	1,084,923	1,039,156
Program (S/N unit)	255,596	-	255,596	216,192
Administrative	199,121	-	199,121	184,164
Fundraising	182,190	-	182,190	164,649
Total Expenses	<u>1,721,830</u>	<u>-</u>	<u>1,721,830</u>	<u>1,604,161</u>
Change in net assets	120,817	(26,192)	94,625	523,314
Beginning net assets	<u>3,025,602</u>	<u>643,352</u>	<u>3,668,954</u>	<u>3,145,640</u>
Ending net assets	<u>\$ 3,146,419</u>	<u>\$ 617,160</u>	<u>\$ 3,763,579</u>	<u>\$ 3,668,954</u>

See independent auditor's report and notes to financial statements.

AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTALS FOR 2018

	Program				Totals	
	Animal Care	S/N Unit	Administrative	Fundraising	2019	2018
Salaries	\$ 469,156	\$ 167,170	\$ 95,449	\$ 63,633	\$ 795,408	\$ 680,880
Payroll taxes	34,914	12,714	7,144	4,763	59,535	50,270
Payroll related items	59,515	4,214	9,559	6,373	79,661	68,449
Advertising	128,302	-	-	32,075	160,377	173,037
Veterinary services	84,233	-	-	-	84,233	83,427
Special events	-	-	-	56,809	56,809	46,356
Spay / neuter expenses	19,515	51,319	-	-	70,834	99,175
Kennel supplies	84,871	-	-	-	84,871	85,625
Technology	11,040	-	8,832	2,208	22,080	28,665
Depreciation	35,649	20,179	18,609	-	74,437	69,931
Insurance	7,022	-	7,021	-	14,043	10,936
Auto expense	1,241	-	1,241	-	2,482	1,315
Microchip	17,069	-	-	-	17,069	13,874
Travel and education	17,102	-	-	-	17,102	9,519
Repairs and maintenance	17,259	-	5,753	-	23,012	20,634
Telephone and utilities	22,220	-	7,406	-	29,626	25,596
Tags	48,480	-	-	-	48,480	52,817
Bank charges	-	-	4,451	4,452	8,903	8,350
Office supplies	15,836	-	11,876	11,877	39,589	42,252
Professional fees	-	-	21,780	-	21,780	24,732
Volunteer expenses	5,651	-	-	-	5,651	7,801
Miscellaneous expenses	5,848	-	-	-	5,848	520
Total expenses	<u>\$ 1,084,923</u>	<u>\$ 255,596</u>	<u>\$ 199,121</u>	<u>\$ 182,190</u>	<u>\$ 1,721,830</u>	<u>\$ 1,604,161</u>

See independent auditor's report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

Cash Flows from Operating Activities:

	<u>2019</u>	<u>2018</u>
Change in net assets	\$ 94,625	\$ 523,314
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation	74,437	69,931
(Gain)/loss on disposition	-	498
Change in operating assets and payables:		
Contributions receivable	28,256	(27,811)
Grants receivable	(846)	(20,899)
Pledges receivable	46,098	(239,444)
Prepaid expenses	(1,602)	(4,450)
Accounts payable	692	81
Accrued expenses	(3,750)	6,346
Accrued expenses	(11,916)	11,916
Net cash provided by operating activities	<u>225,994</u>	<u>319,482</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	(23,217)	(89,638)
Net change investments	<u>506,329</u>	<u>(265,686)</u>
Net cash provided by (used in) investing activities	<u>483,112</u>	<u>(355,324)</u>
Change in cash	709,106	(35,842)
Beginning cash	<u>895,476</u>	<u>931,318</u>
Ending cash	<u>\$ 1,604,582</u>	<u>\$ 895,476</u>

See independent auditor's report and notes to financial statements.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 1 – Overview of Organization

Aggieland Humane Society (the Humane Society or the Organization), formerly Brazos Animal Shelter, Inc., is a nonprofit corporation, chartered in the State of Texas on October 31, 1980. The Organization serves Brazos, Burleson, Grimes, Leon, Madison, Robertson and Washington counties. The Humane Society is supported by private donations, contracts with local governments, fundraising events, and fees for services. The Organization has no stockholders or equity owners and is governed by a board of directors made up of community volunteers.

The Humane Society provides humane care and placement for homeless and abandoned animals, promotes the human-animal bond and promotes responsible pet ownership to enhance the quality of life for the people and animals in our community.

Note 2 – Summary of Significant Accounting Policies

The Organization prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) for not-for-profit entities. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions - Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 2 – Summary of Significant Accounting Policies (continued)

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of buildings or equipment (or less commonly, the contribution of those assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

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 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.

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.

Income tax status

The Humane Society is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been made in the accompanying financial statements. In addition, the Humane Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Expense Recognition and Allocation

The cost of providing the organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a reasonable allocation method that is consistently applied, as follows:

- Salaries and wages, benefits, and payroll taxes are allocated based on estimates of time spent by key personnel.
- All other expenses that cannot be directly identified are allocated using management's estimated percentage of the portions related to either program or supporting activity.

Every three years, or more often when new space or programs are added, the bases on which costs are allocated are evaluated.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Change in Accounting Principles

The organization implemented FASB ASU No. 2016-14 and has applied it retrospectively to all periods presented. The new standards change the following aspects of the financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about liquidity and availability of resources (note 3)

See independent auditor's report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

Note 2 – Summary of Significant Accounting Policies (continued)

The changes have the following effect on net assets at October 1, 2018:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 3,025,602	\$ -
Temporarily restricted net assets	643,352	-
Permanently restricted net assets	-	-
Net assets without donor restrictions	-	3,025,602
Net assets with donor restrictions	-	643,352
Total net assets	\$ 3,668,954	\$ 3,668,954

Note 3 – Liquidity and Availability

The following reflects Aggieland Humane Society’s financial assets as of September 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,604,582
Receivables	574,334
Short-term investments	338,796
Less financial assets held to meet donor imposed restrictions	(617,160)
Amount available for general expenditures within one year	\$ 1,900,552

As part of the Humane Society’s liquidity management, it invests excess cash in certificates of deposit or mutual funds.

Note 4 – Restrictions on Net Assets

Donor-restricted net assets consist of the following purpose and time restrictions:

	2019	2018
TNR program (purpose restriction)	90,206	70,300
Pledges receivable (time restriction)	526,954	573,052
	\$ 617,160	\$ 643,352

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 5 – Donated Services and Support

The 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 the services (a) do not create or enhance nonfinancial assets or (b) do not require specialized skills that would otherwise be purchased by the Society. However, the value of these services for the years ended September 30, 2019 and 2018 is estimated to be approximately \$84,270 and \$87,400 based on total volunteer hours of 8,427 and 8,740, respectively, at an average hourly rate of \$10.

The value of donated services and materials included as contributions and corresponding expenses for the years ended September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Special events	\$ 10,500	\$ 12,500
Vet services	34,150	45,500
Spay/neuter discounts	14,542	33,630
Advertising	140,489	156,688
Kennel food and supplies	15,419	19,100
	<u>\$ 215,100</u>	<u>\$ 267,418</u>

Note 6 – Property and Equipment

Property and equipment at September 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 182,787	\$ 182,787
Buildings and improvements	1,094,088	1,070,871
Spay / neuter unit	201,789	201,789
Kennels and equipment	74,309	88,424
Vehicles	47,654	47,654
	<u>1,600,627</u>	<u>1,591,525</u>
Less: accumulated depreciation	<u>(347,388)</u>	<u>(287,066)</u>
Net property and equipment	<u>\$1,253,239</u>	<u>\$1,304,459</u>

Note 7 – Investments

Short-term investments consist of certificates of deposit and exchange-traded mutual funds. The fair value of investments is estimated based on quoted market prices as of the last trading day for

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 7 – Investments (continued)

the Humane Society’s fiscal years. The fair values at September 30, 2019 and 2018 are as follows:

	2019	2018
Mutual funds	\$ 238,577	\$ 225,847
Certificates of deposit	100,219	619,278
	\$ 338,796	\$ 845,125

Investment return for the years ended September 30, 2019 and 2018 is summarized as follows:

	2019	2018
Interest income	\$ 4,737	\$ 5,636
Investment income	34,028	17,824
	\$ 38,765	\$ 23,460

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 Humane Society uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the 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.

	2019	2018
Level 1:		
Investments	\$ 338,796	\$ 845,125
	\$ 338,796	\$ 845,125

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

Note 8 – Pledges Receivable

Continuing the fundraising campaign that began during the year ended September 30, 2015, the Humane Society held a fifth annual luncheon in which new pledges were received. The pledges are discounted to present value using a discount rate of 1.55% and 2.96% for the years ended September 30, 2019 and 2018, respectively. The net present value is estimated with a 10% uncollectible allowance for the years ended September 30, 2019 and 2018, respectively.

The activity and remaining balance at September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning gross pledges	\$ 680,318	\$ 388,637
New pledges received	75,520	553,710
Payments received	<u>(149,458)</u>	<u>(262,029)</u>
Ending gross pledges	606,380	680,318
Discount to present value	<u>(20,875)</u>	<u>(43,594)</u>
Present value of gross pledges	585,505	636,724
Estimated uncollectible	<u>(58,551)</u>	<u>(63,672)</u>
Net present value of pledges	<u><u>\$ 526,954</u></u>	<u><u>\$ 573,052</u></u>

Future net amounts due on these pledges are shown below:

Year 1	\$ 153,546
Year 2	151,203
Year 3	148,895
Year 4	<u>73,310</u>
	<u><u>\$ 526,954</u></u>

Note 9 – Cash in Excess of FDIC Limits

Aggieland Humane Society maintains cash, including the certificates of deposit and restricted cash represented as non-current assets on the statement of financial position, in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. As of August 31, 2019 and 2018, the amounts in excess of the insured limit were \$256,984 and \$61,430, respectively.

Note 10 – Subsequent Events

Management has evaluated subsequent events through January 28, 2020, the date the financial statements were available to be issued.

See independent auditor's report.