

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2012

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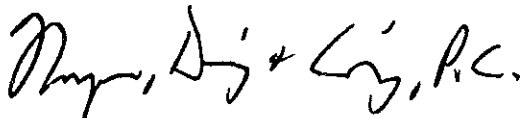
INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Aggieland Humane Society

We have audited the accompanying statement of financial position of Aggieland Humane Society (a nonprofit organization) (formerly Brazos Animal Shelter, Inc.) as of September 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Aggieland Humane Society's 2011 financial statements and, in our report dated July 26, 2012, we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



THOMPSON, DERRIG & CRAIG, PC

January 15, 2013

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Assets:		
Current assets		
Cash and cash equivalents	\$ 216,015	\$ 80,016
Investments in mutual funds	98,979	49,101
Accounts receivable	17,189	29,220
Prepaid assets	-	2,348
	<u>332,183</u>	<u>160,685</u>
Property and equipment (net)	<u>1,073,077</u>	<u>1,066,597</u>
Other assets		
Restricted investments	19,802	44,982
Cash surrender value of life insurance	2,949	2,951
Total other assets	<u>22,751</u>	<u>47,933</u>
Total Assets	<u><u>\$ 1,428,011</u></u>	<u><u>\$ 1,275,215</u></u>
Liabilities:		
Current liabilities		
Accounts payable	\$ 38,553	\$ 36,417
Accrued expenses	18,587	29,909
	<u>57,140</u>	<u>66,326</u>
Net Assets:		
Unrestricted	1,327,324	1,105,204
Temporarily restricted	43,547	58,703
Permanently restricted	-	44,982
	<u>1,370,871</u>	<u>1,208,889</u>
Total Liabilities and Net Assets	<u><u>\$ 1,428,011</u></u>	<u><u>\$ 1,275,215</u></u>

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals	
				2012	2011
Support and Revenue:					
Animal care revenue:					
Adoption	\$ 86,727	\$ -	\$ -	\$ 86,727	\$ 116,914
Impoundment	22,658	-	-	22,658	46,923
Surrender fees	6,524	-	-	6,524	22,820
Disposal services	5,514	-	-	5,514	6,773
Tags and microchips	217,827	-	-	217,827	261,349
Government contracts	253,184	-	-	253,184	523,188
Rabies quarantine fees	15,283	-	-	15,283	20,527
	<u>607,717</u>	<u>-</u>	<u>-</u>	<u>607,717</u>	<u>998,494</u>
Contributions and fundraising:					
Contributions	234,213	10,270	-	244,483	144,382
In-kind contributions (Note 4)	356,557	-	-	356,557	188,694
	<u>590,770</u>	<u>10,270</u>	<u>-</u>	<u>601,040</u>	<u>333,076</u>
Other:					
Investment/Interest income	3,077	-	-	3,077	7,868
Miscellaneous income	29,269	-	-	29,269	18,435
Oil and gas royalties	97,155	-	-	97,155	38,483
Rental income	-	-	-	-	5,100
Loss on disposition of assets	-	-	-	-	(107,968)
Investment gains(losses)	24,243	-	-	24,243	(2,794)
Assets released from restrictions	70,408	(25,426)	(44,982)	-	-
	<u>224,152</u>	<u>(25,426)</u>	<u>(44,982)</u>	<u>153,744</u>	<u>(40,876)</u>
Total Support and Revenue	<u>1,422,639</u>	<u>(15,156)</u>	<u>(44,982)</u>	<u>1,362,501</u>	<u>1,290,694</u>
Expenses:					
Program (animal care)	980,469	-	-	980,469	927,472
Fundraising	80,443	-	-	80,443	27,212
Administrative	139,607	-	-	139,607	209,765
	<u>1,200,519</u>	<u>-</u>	<u>-</u>	<u>1,200,519</u>	<u>1,164,449</u>
Change in net assets	<u>222,120</u>	<u>(15,156)</u>	<u>(44,982)</u>	<u>161,982</u>	<u>126,245</u>
Beginning net assets	<u>1,105,204</u>	<u>58,703</u>	<u>44,982</u>	<u>1,208,889</u>	<u>1,082,644</u>
Ending net assets	<u>\$ 1,327,324</u>	<u>\$ 43,547</u>	<u>\$ -</u>	<u>\$ 1,370,871</u>	<u>\$ 1,208,889</u>

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2012
WITH COMPARATIVE TOTALS FOR 2011**

	Program			Totals	
	(Animal Care)	Fundraising	Administrative	2012	2011
Salaries	\$ 274,396	\$ 14,600	\$ 53,999	\$ 342,995	\$ 400,780
Payroll taxes	21,086	1,134	4,138	26,358	29,175
Payroll related items	56,164	3,019	11,022	70,205	102,058
Advertising	205,481	46,000	-	251,481	62,582
Veterinary expenses	147,406	-	-	147,406	196,242
Fundraising	-	1,982	-	1,982	14,063
Spay / neuter expenses	97,665	-	-	97,665	61,386
Kennel supplies	67,705	-	-	67,705	54,091
Animal disposal	-	-	-	-	604
Computer expense	10,670	2,133	8,536	21,339	31,474
Depreciation expense	11,657	-	3,886	15,543	10,471
Insurance	4,862	-	4,862	9,724	5,943
Auto expense	4,071	-	4,070	8,141	13,032
Microchip expense	13,394	-	-	13,394	20,040
Education	4,160	-	-	4,160	828
Repairs and maintenance	7,401	-	2,467	9,868	12,832
Telephone and utilities	21,768	-	7,256	29,024	47,758
Directors and officers insurance	-	-	1,690	1,690	2,536
Cremation expense	8,752	-	-	8,752	3,788
Bank charges	-	2,877	2,876	5,753	8,249
Rent	482	-	482	964	840
Retail goods	-	2,328	-	2,328	1,688
Office expenses	3,792	6,370	5,005	15,167	17,041
Professional fees	9,773	-	29,318	39,091	48,516
Miscellaneous expenses	9,784	-	-	9,784	18,432
TOTAL EXPENSES	\$ 980,469	\$ 80,443	\$ 139,607	\$ 1,200,519	\$ 1,164,449

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011**

Cash Flows from Operating Activities:

	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 161,982	\$ 126,245
Adjustments to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation	15,543	10,471
Loss on disposition	-	107,968
Unrealized (gain) loss on investments	(24,243)	1,893
Change in operating assets and payables:		
Accounts receivable	12,031	(4,500)
Prepaid expenses	2,348	(1,057)
Accounts payable	2,138	10,797
Accrued expenses	(11,322)	8,469
Net cash provided by operating activities	<u>158,477</u>	<u>260,286</u>
 Cash Flows from Investing Activities:		
Purchase of property and equipment	(22,023)	(513,162)
Net change investments	<u>(455)</u>	<u>49,721</u>
Net cash used by investing activities	<u>(22,478)</u>	<u>(463,441)</u>
 Change in cash	135,999	(203,155)
Beginning cash	<u>80,016</u>	<u>283,171</u>
Ending cash	<u><u>\$ 216,015</u></u>	<u><u>\$ 80,016</u></u>

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

Note 1 – Summary of Significant Accounting Policies

Aggieland Humane Society and 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, 2012 AND 2011**

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 to be used for future expenses. Permanently restricted net assets consists of funds accumulated for the purpose of generating revenue for the spay/neuter outreach program.

During the year ended September 30, 2012, the board obtained permission from the donor of the permanently restricted funds to release the restriction and allow the funds to be spent, so the entire balance was moved to temporarily restricted net assets, as shown on the accompanying statement of activities.

Note 3 – Retirement Plan

The Aggieland Humane Society has a qualified annuity plan under Internal Revenue Code 403(b) covering substantially all employees. Any full-time employee of the Aggieland Humane Society is eligible to participate in the plan after thirty days of service. The Aggieland Humane Society matches employee contributions up to seven percent of their covered salary. The Aggieland Humane Society contributed \$10,342 and \$20,092 to the plan for the years ended September 30, 2012 and 2011, respectively. The Aggieland Humane Society board decided to terminate the plan in March 2012.

See independent auditors' report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

Note 4 – Donated Services and Support

The value of donated services and materials included as contributions and corresponding expenses for the years ended September 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Fundraising	\$ 46,000	\$ 26,334
Vet and vet tech services	108,750	144,981
IT	3,261	2,610
Advertising	162,232	-
Vehicle	1,700	-
Drugs and supplies	34,614	14,769
	<u>\$ 356,557</u>	<u>\$ 188,694</u>

The Aggieland Humane Society also 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 year ended September 30, 2012 is estimated to be approximately \$67,000 based on total volunteer hours of 6,993 and an average hourly rate of \$9.60.

Note 5 – Property and Equipment

Property and equipment at September 30, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 182,787	\$ 181,587
Buildings	891,929	883,519
Kennels	45,568	45,568
Furniture, fixtures & office equipment	17,770	7,057
Vehicles	26,158	24,458
	<u>1,164,212</u>	<u>1,142,189</u>
Less: accumulated depreciation	<u>(91,135)</u>	<u>(75,592)</u>
Net property and equipment	<u>\$ 1,073,077</u>	<u>\$ 1,066,597</u>

Note 6 – Commitments

The Aggieland Humane Society rents a copier for \$220 per month in a lease agreement that ends in October 2014. Future lease payments under these agreements are as follows:

2013	\$ 2,640
2014	\$ 2,640

See independent auditors' report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

Note 7 – 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, 2012 and 2011 are as follows.

	2012	2011
Money Market	\$ 1,541	\$ 1,758
Stocks	118,781	94,083
	\$ 120,322	\$ 95,841

Investment return for the years ended September 30, 2012 and 2011 is summarized as follows:

	2012	2011
Interest and dividends	\$ 3,077	\$ 7,868
Realized gains (losses)	-	(901)
Unrealized gains (losses)	24,243	(1,893)
	\$ 27,320	\$ 5,074

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.

	2012	2011
Level 1:		
Investments	120,322	95,841
	\$ 120,322	\$ 95,841

See independent auditors’ report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011**

Note 8 – Summary of Change in Net Assets

For the year ended September 30, 2012, changes in net assets attributable to program (animal care), contributions and fundraising, and administration are as summarized below. In-kind amounts shown include contributed services and materials totaling \$351,596.

	<u>Program (animal care)</u>	<u>Contributions and Fundraising</u>	<u>Other/ Administrative</u>	<u>Total</u>
Support and revenue	\$ 607,717	\$ 601,040 (1)	\$ 153,744	\$ 1,362,501
Expenses	980,469 (2)	80,443 (3)	139,607	1,200,519
	<u>\$ (372,752)</u>	<u>\$ 520,597</u>	<u>\$ 14,137</u>	<u>\$ 161,982</u>

(1) includes \$351,596 in-kind

(2) includes \$303,968 in-kind

(3) includes \$48,328 in-kind

Note 9 – Date of Management Review

Management has evaluated subsequent events through January 15, 2013, the date the financial statements were available to be issued.

See independent auditors' report.