

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2013

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Independent Auditors' Report | 1- 2 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7 - 11 |

Thompson, Derrig & Craig, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Woody Thompson, CPA/CFP
Ronnie Craig, CPA
Dillard Leverkuhn, CPA

4500 Carter Creek Parkway, Suite 201
Bryan, Texas 77802-4456
(979) 260-9696 - Fax (979) 260-9683
email: firm@tdccpa.com

Peggy Adcock, CPA
Sandy Beavers, CPA
Alline Briers, CPA
Gay Vick Craig, CPA
Kay Dobbins, CPA
Emily Hogan, CPA
Lyn Kuciemba, CPA
James Larkin, CPA
Alice Monroe, CPA
Matthew Troxel, CPA
Marian Rose Varisco, CPA
Mary Joy Venuti, CPA

Andrea Derrig, CPA

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, 2013, 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.

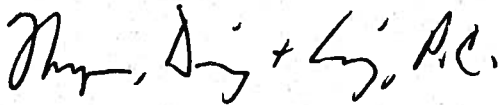
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2013, 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 2012 financial statements, and our report dated January 15, 2013, 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



THOMPSON, DERRIG & CRAIG, PC

December 12, 2013

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2013 AND 2012

| | <u>2013</u> | <u>2012</u> |
|---|----------------------------|----------------------------|
| Assets: | | |
| Current assets | | |
| Cash and cash equivalents | \$ 285,455 | \$ 216,015 |
| Short-term investments | 105,366 | 98,979 |
| Accounts receivable | <u>17,346</u> | <u>17,189</u> |
| Total current assets | <u>408,167</u> | <u>332,183</u> |
| Property and equipment (net) | <u>1,078,812</u> | <u>1,073,077</u> |
| Other assets | | |
| Restricted investments | - | 19,802 |
| Cash surrender value of life insurance | <u>2,949</u> | <u>2,949</u> |
| Total other assets | <u>2,949</u> | <u>22,751</u> |
| Total Assets | <u><u>\$ 1,489,928</u></u> | <u><u>\$ 1,428,011</u></u> |
| Liabilities: | | |
| Current liabilities | | |
| Accounts payable | \$ 45,808 | \$ 38,553 |
| Accrued expenses | <u>19,022</u> | <u>18,587</u> |
| Total current liabilities | <u>64,830</u> | <u>57,140</u> |
| Net Assets: | | |
| Unrestricted | 1,419,063 | 1,327,324 |
| Temporarily restricted | <u>6,035</u> | <u>43,547</u> |
| Total net assets | <u>1,425,098</u> | <u>1,370,871</u> |
| Total Liabilities and Net Assets | <u><u>\$ 1,489,928</u></u> | <u><u>\$ 1,428,011</u></u> |

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTALS FOR 2012**

| | Unrestricted | Temporarily Restricted | Totals | |
|---------------------------------------|---------------------|---------------------------|---------------------|---------------------|
| | | | 2013 | 2012 |
| Support and Revenue: | | | | |
| Animal care revenue: | | | | |
| Adoption | \$ 85,876 | \$ - | \$ 85,876 | \$ 86,727 |
| Impoundment | 22,962 | - | 22,962 | 22,658 |
| Surrender fees | 5,653 | - | 5,653 | 6,524 |
| Disposal services | 5,532 | - | 5,532 | 5,514 |
| Tags and microchips | 262,551 | - | 262,551 | 217,827 |
| Government contracts | 254,286 | - | 254,286 | 253,184 |
| Room and board | 6,398 | - | 6,398 | 3,681 |
| Rabies quarantine fees | 9,257 | - | 9,257 | 15,283 |
| | <u>652,515</u> | <u>-</u> | <u>652,515</u> | <u>611,398</u> |
| Contributions and fundraising: | | | | |
| Contributions | 204,012 | 3,500 | 207,512 | 244,483 |
| Volunteer program | 18,125 | - | 18,125 | - |
| In-kind contributions (Note 4) | 489,097 | - | 489,097 | 356,557 |
| | <u>711,234</u> | <u>3,500</u> | <u>714,734</u> | <u>601,040</u> |
| Other: | | | | |
| Investment/Interest income | 2,521 | - | 2,521 | 3,077 |
| Miscellaneous income | 18,214 | - | 18,214 | 25,588 |
| Oil and gas royalties | 21,351 | - | 21,351 | 97,155 |
| Gain on disposition of assets | 800 | - | 800 | - |
| Investment gains(losses) | 1,518 | - | 1,518 | 24,243 |
| Assets released from restrictions | 41,012 | (41,012) | - | - |
| | <u>85,416</u> | <u>(41,012)</u> | <u>44,404</u> | <u>150,063</u> |
| Total Support and Revenue | <u>1,449,165</u> | <u>(37,512)</u> | <u>1,411,653</u> | <u>1,362,501</u> |
| Expenses: | | | | |
| Program (animal care) | 1,148,265 | - | 1,148,265 | 980,469 |
| Fundraising | 113,352 | - | 113,352 | 80,443 |
| Administrative | 95,809 | - | 95,809 | 139,607 |
| | <u>1,357,426</u> | <u>-</u> | <u>1,357,426</u> | <u>1,200,519</u> |
| Total Expenses | <u>1,357,426</u> | <u>-</u> | <u>1,357,426</u> | <u>1,200,519</u> |
| Change in net assets | 91,739 | (37,512) | 54,227 | 161,982 |
| Beginning net assets | <u>1,327,324</u> | <u>43,547</u> | <u>1,370,871</u> | <u>1,208,889</u> |
| Ending net assets | <u>\$ 1,419,063</u> | <u>\$ 6,035</u> | <u>\$ 1,425,098</u> | <u>\$ 1,370,871</u> |

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTALS FOR 2012**

| | Program | | | Totals | |
|----------------------------------|----------------------|--------------------|-----------------------|---------------------|---------------------|
| | (Animal Care) | Fundraising | Administrative | 2013 | 2012 |
| Salaries | \$ 262,670 | \$ 26,267 | 39,400 | \$ 328,337 | \$ 342,995 |
| Payroll taxes | 20,331 | 2,033 | 3,050 | 25,414 | 26,358 |
| Payroll related items | 34,369 | 3,437 | 5,155 | 42,961 | 70,205 |
| Advertising | 329,065 | 34,040 | - | 363,105 | 251,481 |
| Veterinary expenses | 166,073 | - | - | 166,073 | 147,406 |
| Fundraising | - | 21,592 | - | 21,592 | 1,982 |
| Spay / neuter expenses | 91,124 | - | - | 91,124 | 97,665 |
| Kennel supplies | 61,759 | - | - | 61,759 | 67,705 |
| Computer expense | 9,877 | 1,974 | 7,902 | 19,753 | 21,339 |
| Depreciation expense | 14,377 | - | 4,792 | 19,169 | 15,543 |
| Insurance | 3,099 | - | 3,098 | 6,197 | 9,724 |
| Auto expense | 1,749 | - | 1,749 | 3,498 | 8,141 |
| Microchip expense | 13,245 | - | - | 13,245 | 13,394 |
| Education | 7,911 | - | - | 7,911 | 4,160 |
| Repairs and maintenance | 6,626 | - | 2,208 | 8,834 | 9,868 |
| Telephone and utilities | 16,520 | - | 5,506 | 22,026 | 29,024 |
| Directors and officers insurance | - | - | 1,680 | 1,680 | 1,690 |
| Cremation expense | 6,947 | - | - | 6,947 | 8,752 |
| Bank charges | - | 3,378 | 3,378 | 6,756 | 5,753 |
| Rent | - | - | - | - | 964 |
| Retail goods | - | 10,621 | - | 10,621 | 2,328 |
| Office expenses | 5,959 | 10,010 | 7,865 | 23,834 | 15,167 |
| Professional fees | 83,238 | - | 10,026 | 93,264 | 39,091 |
| Miscellaneous expenses | 13,326 | - | - | 13,326 | 9,784 |
| TOTAL EXPENSES | \$ 1,148,265 | \$ 113,352 | \$ 95,809 | \$ 1,357,426 | \$ 1,200,519 |

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

Cash Flows from Operating Activities:

| | <u>2013</u> | <u>2012</u> |
|--|-------------------|-------------------|
| Change in net assets | \$ 54,227 | \$ 161,982 |
| Adjustments to reconcile change in net assets to Net cash provided by operating activities: | | |
| Depreciation | 19,169 | 15,543 |
| Gain on disposition | (800) | - |
| Unrealized (gain) loss on investments | (1,518) | (24,243) |
| Change in operating assets and payables: | | |
| Accounts receivable | (157) | 12,031 |
| Prepaid expenses | - | 2,348 |
| Accounts payable | 7,255 | 2,138 |
| Accrued expenses | 435 | (11,322) |
| Net cash provided by operating activities | <u>78,611</u> | <u>158,477</u> |
| Cash Flows from Investing Activities: | | |
| Purchase of property and equipment | (24,104) | (22,023) |
| Net change investments | <u>14,933</u> | <u>(455)</u> |
| Net cash used by investing activities | <u>(9,171)</u> | <u>(22,478)</u> |
| Change in cash | 69,440 | 135,999 |
| Beginning cash | <u>216,015</u> | <u>80,016</u> |
| Ending cash | <u>\$ 285,455</u> | <u>\$ 216,015</u> |

See independent auditors' report and notes to financial statements.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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, 2013 AND 2012**

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.

Note 3 – Retirement Plan

Prior to March 2012, 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 was eligible to participate in the plan after thirty days of service. The Aggieland Humane Society matched employee contributions up to seven percent of their covered salary. The Aggieland Humane Society contributed \$10,342 to the plan for the year ended September 30, 2012. The Aggieland Humane Society board decided to terminate the plan in March 2012.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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, 2013 and 2012 are as follows:

| | 2013 | 2012 |
|---------------------------|-------------------|-------------------|
| Fundraising | \$ 55,240 | \$ 46,000 |
| Vet and vet tech services | 124,500 | 108,750 |
| IT | - | 3,261 |
| Advertising | 285,173 | 162,232 |
| Vehicle | - | 1,700 |
| Drugs and supplies | 24,184 | 34,614 |
| | <u>\$ 489,097</u> | <u>\$ 356,557</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, 2013 is estimated to be approximately \$86,000 based on total volunteer hours of 8,988 and an average hourly rate of \$9.60.

Note 5 – Property and Equipment

Property and equipment at September 30, 2013 and 2012 consisted of the following:

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Land | \$ 182,787 | \$ 182,787 |
| Buildings | 900,377 | 891,929 |
| Kennels | 63,724 | 45,568 |
| Furniture, fixtures & office equipment | 17,770 | 17,770 |
| Vehicles | 22,763 | 26,158 |
| | <u>1,187,421</u> | <u>1,164,212</u> |
| Less: accumulated depreciation | (108,609) | (91,135) |
| Net property and equipment | <u>\$ 1,078,812</u> | <u>\$ 1,073,077</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 this agreement are as follows:

| | |
|------|----------|
| 2014 | \$ 2,640 |
| 2015 | \$ 220 |

See independent auditors' report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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, 2013 and 2012 are as follows.

| | 2013 | 2012 |
|--------------|-------------------|-------------------|
| Money Market | \$ 18,000 | \$ 1,541 |
| Stocks | 105,366 | 118,781 |
| | <u>\$ 123,366</u> | <u>\$ 120,322</u> |

Investment return for the years ended September 30, 2013 and 2012 is summarized as follows:

| | 2013 | 2012 |
|---------------------------|-----------------|------------------|
| Interest and dividends | \$ 2,521 | \$ 3,077 |
| Unrealized gains (losses) | 1,518 | 24,243 |
| | <u>\$ 4,039</u> | <u>\$ 27,320</u> |

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.

| | 2013 | 2012 |
|-------------|-------------------|-------------------|
| Level 1: | | |
| Investments | \$ 105,366 | \$ 120,322 |
| | <u>\$ 105,366</u> | <u>\$ 120,322</u> |

See independent auditors' report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

Note 8 – Summary of Change in Net Assets

For the year ended September 30, 2013, 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 \$489,097.

| | <u>Program (animal care)</u> | <u>Contributions and Fundraising</u> | <u>Other/ Administrative</u> | <u>Total</u> |
|---------------------|----------------------------------|--|----------------------------------|------------------|
| Support and revenue | \$ 652,515 | \$ 714,734 (1) | \$ 44,404 | \$ 1,411,653 |
| Expenses | 1,148,265 (2) | 113,352 (3) | 95,809 | 1,357,426 |
| | <u>\$ (495,750)</u> | <u>\$ 601,382</u> | <u>\$ (51,405)</u> | <u>\$ 54,227</u> |

(1) includes \$489,097 in-kind

(2) includes \$433,857 in-kind

(3) includes \$55,240 in-kind

Note 9 – Date of Management Review

Management has evaluated subsequent events through December 12, 2013, the date the financial statements were available to be issued.

See independent auditors' report.