

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2017 AND 2016

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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, 2017, 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.

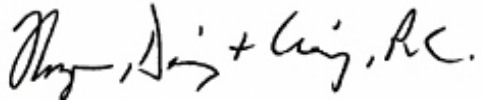
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2017, 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 2016 financial statements, and our report dated January 24, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in cursive script that reads "Thompson, Derrig + Craig, P.C.".

THOMPSON, DERRIG & CRAIG, PC

March 1, 2018

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current assets		
Cash and cash equivalents	\$ 931,318	\$ 935,768
Short-term investments	579,439	440,910
Accounts receivable	445	385
Pledges receivable, net	<u>85,796</u>	<u>79,758</u>
Total current assets	<u>1,596,998</u>	<u>1,456,821</u>
Property and equipment (net)	<u>1,285,250</u>	<u>1,078,122</u>
Other assets		
Restricted investments	25,000	25,000
Pledges receivable, net of current portion	247,812	233,921
Cash surrender value of life insurance	<u>2,949</u>	<u>2,949</u>
Total other assets	<u>275,761</u>	<u>261,870</u>
Total Assets	<u><u>\$ 3,158,009</u></u>	<u><u>\$ 2,796,813</u></u>
Liabilities:		
Current liabilities		
Accounts payable	\$ 3,249	\$ 3,394
Accrued expenses	<u>28,703</u>	<u>30,823</u>
Total current liabilities	<u>31,952</u>	<u>34,217</u>
Net Assets:		
Unrestricted	2,747,409	2,446,917
Temporarily restricted	<u>378,648</u>	<u>315,679</u>
Total net assets	<u>3,126,057</u>	<u>2,762,596</u>
Total Liabilities and Net Assets	<u><u>\$ 3,158,009</u></u>	<u><u>\$ 2,796,813</u></u>

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Unrestricted	Temporarily Restricted	Totals	
			2017	2016
Support and Revenue:				
Animal care revenue:				
Adoption	89,827	\$ -	\$ 89,827	\$ 98,554
Animal care services	50,905	-	50,905	51,834
Tags and microchips	249,650	-	249,650	260,185
Government contracts	375,000	-	375,000	310,000
Spay and neuter unit	3,675	-	3,675	-
	<u>769,057</u>	<u>-</u>	<u>769,057</u>	<u>720,573</u>
Contributions and fundraising:				
Contributions	57,213	652,677	709,890	470,890
Volunteer program	24,428	-	24,428	18,553
Weinerfest	22,987	-	22,987	19,717
In-kind contributions	579,819	-	579,819	577,314
	<u>684,447</u>	<u>652,677</u>	<u>1,337,124</u>	<u>1,086,474</u>
Other:				
Interest income	5,602	-	5,602	6,873
Miscellaneous income	1,805	-	1,805	3,512
Oil and gas royalties	3,867	-	3,867	3,851
Investment gains (losses)	-	-	-	(3,191)
Assets released from restrictions	589,708	(589,708)	-	-
	<u>600,982</u>	<u>(589,708)</u>	<u>11,274</u>	<u>11,045</u>
Total Support and Revenue	<u>2,054,486</u>	<u>62,969</u>	<u>2,117,455</u>	<u>1,818,092</u>
Expenses:				
Program (animal care)	1,432,719	-	1,432,719	1,438,049
Administrative	146,889	-	146,889	140,576
Fundraising	174,386	-	174,386	110,723
	<u>1,753,994</u>	<u>-</u>	<u>1,753,994</u>	<u>1,689,348</u>
Change in net assets	300,492	62,969	363,461	128,744
Beginning net assets	<u>2,446,917</u>	<u>315,679</u>	<u>2,762,596</u>	<u>2,633,852</u>
Ending net assets	<u>\$ 2,747,409</u>	<u>\$ 378,648</u>	<u>\$ 3,126,057</u>	<u>\$ 2,762,596</u>

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE TOTALS FOR 2016

	Program			Totals	
	(Animal Care)	Administrative	Fundraising	2017	2016
Salaries	\$ 411,204	\$ 61,681	\$ 41,120	\$ 514,005	\$ 502,014
Payroll taxes	30,588	4,588	3,059	38,235	38,132
Payroll related items	70,021	10,503	7,002	87,526	69,626
Advertising	119,483	-	29,871	149,354	192,633
Veterinary services	140,005	-	-	140,005	113,605
Special events	-	-	68,561	68,561	51,301
Spay / neuter expenses	403,338	-	-	403,338	356,346
Kennel supplies	80,798	-	-	80,798	90,498
Technology	9,631	7,705	1,926	19,262	27,952
Depreciation	38,013	12,671	-	50,684	44,009
Insurance	5,292	5,291	-	10,583	11,233
Auto expense	3,953	3,953	-	7,906	7,606
Microchip	17,055	-	-	17,055	15,554
Travel and education	7,554	-	-	7,554	4,068
Repairs and maintenance	18,289	6,096	-	24,385	16,067
Telephone and utilities	16,347	5,449	-	21,796	22,987
Tags	41,724	-	-	41,724	44,991
Bank charges	-	3,848	3,849	7,697	7,272
Office supplies	11,308	14,927	18,998	45,233	45,754
Professional fees	-	10,177	-	10,177	8,150
Volunteer expenses	6,969	-	-	6,969	6,960
Miscellaneous expenses	1,147	-	-	1,147	12,590
TOTAL EXPENSES	\$ 1,432,719	\$ 146,889	\$ 174,386	\$ 1,753,994	\$ 1,689,348

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

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

Cash Flows from Operating Activities:

	<u>2017</u>	<u>2016</u>
Change in net assets	\$ 363,461	\$ 128,744
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation	50,684	44,009
(Gain)/loss on disposition	-	2,165
Unrealized (gain) loss on investments	-	910
Change in operating assets and payables:		
Accounts receivable	(60)	(385)
Pledges receivable	(19,929)	(33,392)
Accounts payable	(145)	(13,040)
Accrued expenses	(2,120)	1,526
Net cash provided by operating activities	<u>391,891</u>	<u>130,537</u>
 Cash Flows from Investing Activities:		
Purchase of property and equipment	(257,812)	(10,339)
Net change investments	<u>(138,529)</u>	<u>(327,118)</u>
Net cash provided by (used in) investing activities	<u>(396,341)</u>	<u>(337,457)</u>
 Change in cash	(4,450)	(206,920)
Beginning cash	<u>935,768</u>	<u>1,142,688</u>
Ending cash	<u>\$ 931,318</u>	<u>\$ 935,768</u>

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

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

Note 1 – Summary of Significant Accounting Policies

Nature of activities

Aggieland Humane Society (the Humane Society), formerly Brazos Animal Shelter, Inc., is a nonprofit corporation, chartered in the State of Texas on October 31, 1980. The Humane Society's purpose is to improve the quality of life for people and animals of the Brazos Valley through professional animal services. The Humane Society 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 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 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 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 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 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 auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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 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).

Note 2 – Restrictions on Net Assets

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

	<u>2017</u>	<u>2016</u>
Future expenses	\$ 8,400	\$ 2,000
Spay / neuter unit	36,640	-
Pledges receivable	333,608	313,679
	<u>\$ 378,648</u>	<u>\$ 315,679</u>

Note 3 – 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, 2017 and 2016 is estimated to be approximately \$106,260 and \$94,390 based on total volunteer hours of 10,626 and 9,439, respectively, at an average hourly rate of \$10.

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

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, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Special events	\$ 30,500	\$ 23,500
Vet services	94,252	72,000
Spay/neuter discounts	297,263	289,912
Advertising	135,069	165,259
Kennel food and supplies	22,735	26,643
	<u>\$ 579,819</u>	<u>\$ 577,314</u>

Note 4 – Property and Equipment

Property and equipment at September 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
Land	\$ 182,787	\$ 182,787
Buildings and improvements	997,356	951,533
Spay / neuter mobile van	201,789	-
Kennels and equipment	72,301	68,389
Vehicles	48,954	48,954
	<u>1,503,187</u>	<u>1,251,663</u>
Less: accumulated depreciation	<u>(217,937)</u>	<u>(173,541)</u>
Net property and equipment	<u>\$1,285,250</u>	<u>\$1,078,122</u>

Note 5 – Investments

Short-term investments consist of U.S. Treasury notes and certificates of deposit. The fair value of investments is estimated based on quoted market prices as of the last trading day for the Humane Society's fiscal years. The fair values at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
US Treasury Notes	\$ 300,552	\$ -
Certificates of deposit	278,887	440,910
	<u>\$ 579,439</u>	<u>\$ 440,910</u>

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

Note 5 – Investments (continued)

Investment return for the years ended September 30, 2017 and 2016 is summarized as follows:

	2017	2016
Interest income	\$ 5,602	\$ 6,873
Unrealized gains (losses)	-	(3,191)
	\$ 5,602	\$ 3,682

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.

	2017	2016
Level 1:		
Investments	\$ 579,439	\$ 440,910
	\$ 579,439	\$ 440,910

Note 6 – Pledges Receivable

Continuing the fundraising campaign that began during the year ended September 30, 2015, the Humane Society held a third annual luncheon in which new pledges were received. The pledges are discounted to present value using a discount rate of 1.92% and 1.14% for the years ended September 30, 2017 and 2016, respectively. The net present value is estimated with a 10% uncollectible allowance for the years ended September 30, 2017 and 2016, respectively.

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016

Note 6 – Pledges Receivable (continued)

The activity and remaining balance at September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Beginning gross pledges	\$ 358,521	\$ 343,933
New pledges received	339,900	125,640
Payments received	<u>(309,784)</u>	<u>(111,052)</u>
Ending gross pledges	388,637	358,521
Discount to present value	<u>(17,962)</u>	<u>(9,989)</u>
Present value of gross pledges	370,675	348,532
Estimated uncollectible	<u>(37,067)</u>	<u>(34,853)</u>
Net present value of pledges	<u><u>\$ 333,608</u></u>	<u><u>\$ 313,679</u></u>

Future net amounts due on these pledges are shown below:

Year 1	\$ 85,796
Year 2	84,180
Year 3	82,594
Year 4	<u>81,038</u>
	<u><u>\$ 333,608</u></u>

Note 7 – Subsequent Event

Management has evaluated subsequent events through March 1, 2018, the date the financial statements were available to be issued.

See independent auditor's report.