

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018 AND 2017

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 - 11



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, 2018, 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.

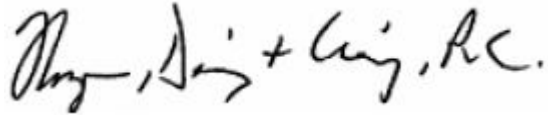
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2018, 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 Aggieldand Humane Society's 2017 financial statements, and our report dated March 1, 2018, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Thompson, Derrig + Craig, P.C." in a cursive style.

THOMPSON, DERRIG & CRAIG, PC

February 15, 2019

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 895,476	\$ 931,318
Short-term investments	845,125	579,439
Contributions receivable	28,256	445
Grants receivable	40,482	19,583
Pledges receivable, net	169,910	85,796
Prepaid expenses	4,450	-
Total current assets	1,983,699	1,616,581
Property and equipment (net)	1,304,459	1,285,250
Other assets		
Restricted investments	25,000	25,000
Pledges receivable, net of current portion	403,142	247,812
Cash surrender value of life insurance	2,949	2,949
Total other assets	431,091	275,761
Total Assets	\$ 3,719,249	\$ 3,177,592
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 3,330	\$ 3,249
Accrued expenses	35,049	28,703
Deferred revenue	11,916	-
Total current liabilities	50,295	31,952
Net Assets:		
Unrestricted	3,025,602	2,766,992
Temporarily restricted	643,352	378,648
Total net assets	3,668,954	3,145,640
Total Liabilities and Net Assets	\$ 3,719,249	\$ 3,177,592

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted	Temporarily Restricted	Totals	
			2018	2017
Support and Revenue:				
Animal care revenue:				
Adoption	91,225	\$ -	\$ 91,225	\$ 89,827
Animal care services	41,560	-	41,560	50,905
Tags and microchips	252,359	-	252,359	249,650
Shelter contracts	380,451	-	380,451	377,500
Spay / neuter services	131,322	-	131,322	3,675
Total Revenue	<u>896,917</u>	<u>-</u>	<u>896,917</u>	<u>771,557</u>
Contributions and fundraising:				
Contributions	311,679	542,940	854,619	709,890
Volunteer program	21,950	-	21,950	24,428
Weinerfest	13,906	-	13,906	22,987
In-kind contributions	267,418	-	267,418	579,819
Total Support	<u>614,953</u>	<u>542,940</u>	<u>1,157,893</u>	<u>1,337,124</u>
Other:				
Interest income	5,636	-	5,636	5,602
Miscellaneous income	3,642	-	3,642	1,805
Oil and gas royalties	45,563	-	45,563	3,867
Investment income	17,824	-	17,824	-
Assets released from restrictions	278,236	(278,236)	-	-
Total Other	<u>350,901</u>	<u>(278,236)</u>	<u>72,665</u>	<u>11,274</u>
Total Support and Revenue	<u>1,862,771</u>	<u>264,704</u>	<u>2,127,475</u>	<u>2,119,955</u>
Expenses:				
Program (animal care)	1,039,156	-	1,039,156	1,432,719
Program (S/N Unit)	216,192	-	216,192	-
Administrative	184,164	-	184,164	146,889
Fundraising	164,649	-	164,649	174,386
Total Expenses	<u>1,604,161</u>	<u>-</u>	<u>1,604,161</u>	<u>1,753,994</u>
Change in net assets	258,610	264,704	523,314	365,961
Beginning net assets (restated)	<u>2,766,992</u>	<u>378,648</u>	<u>3,145,640</u>	<u>2,779,679</u>
Ending net assets	<u>\$ 3,025,602</u>	<u>\$ 643,352</u>	<u>\$ 3,668,954</u>	<u>\$ 3,145,640</u>

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH COMPARATIVE TOTALS FOR 2017

	Program				Totals	
	Animal Care	S/N Unit	Administrative	Fundraising	2018	2017
Salaries	\$ 417,977	\$ 126,727	\$ 81,706	\$ 54,470	\$ 680,880	\$ 514,005
Payroll taxes	30,579	9,637	6,032	4,022	50,270	38,235
Payroll related items	51,472	3,287	8,214	5,476	68,449	87,526
Advertising	138,430	-	-	34,607	173,037	149,354
Veterinary services	83,427	-	-	-	83,427	140,005
Special events	-	-	-	46,356	46,356	68,561
Spay / neuter expenses	42,813	56,362	-	-	99,175	403,338
Kennel supplies	85,625	-	-	-	85,625	80,798
Technology	14,333	-	11,465	2,867	28,665	19,262
Depreciation	32,269	20,179	17,483	-	69,931	50,684
Insurance	5,468	-	5,468	-	10,936	10,583
Auto expense	658	-	657	-	1,315	7,906
Microchip	13,874	-	-	-	13,874	17,055
Travel and education	9,519	-	-	-	9,519	7,554
Repairs and maintenance	15,476	-	5,158	-	20,634	24,385
Telephone and utilities	19,197	-	6,399	-	25,596	21,796
Tags	52,817	-	-	-	52,817	41,724
Bank charges	-	-	4,175	4,175	8,350	7,697
Office supplies	16,901	-	12,675	12,676	42,252	45,233
Professional fees	-	-	24,732	-	24,732	10,177
Volunteer expenses	7,801	-	-	-	7,801	6,969
Miscellaneous expenses	520	-	-	-	520	1,147
Total expenses	<u>\$ 1,039,156</u>	<u>\$ 216,192</u>	<u>\$ 184,164</u>	<u>\$ 164,649</u>	<u>\$ 1,604,161</u>	<u>\$ 1,753,994</u>

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

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017**

Cash Flows from Operating Activities:

	<u>2018</u>	<u>2017</u>
Change in net assets	\$ 523,314	\$ 365,961
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation	69,931	50,684
(Gain)/loss on disposition	498	-
Change in operating assets and payables:		
Contributions receivable	(27,811)	(60)
Grants receivable	(20,899)	(2,500)
Pledges receivable	(239,444)	(19,929)
Prepaid expenses	(4,450)	-
Accounts payable	81	(145)
Accrued expenses	6,346	(2,120)
Accrued expenses	11,916	-
Net cash provided by operating activities	<u>319,482</u>	<u>391,891</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	(89,638)	(257,812)
Net change investments	<u>(265,686)</u>	<u>(138,529)</u>
Net cash provided by (used in) investing activities	<u>(355,324)</u>	<u>(396,341)</u>
Change in cash	(35,842)	(4,450)
Beginning cash	<u>931,318</u>	<u>935,768</u>
Ending cash	<u>\$ 895,476</u>	<u>\$ 931,318</u>

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

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

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, 2018 AND 2017

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>2018</u>	<u>2017</u>
Future expenses	\$ -	\$ 8,400
TNR program	70,300	-
Spay / neuter unit	-	36,640
Pledges receivable	<u>573,052</u>	<u>333,608</u>
	<u>\$ 643,352</u>	<u>\$ 378,648</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, 2018 and 2017 is estimated to be approximately

See independent auditor's report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017**

Note 3 – Donated Services and Support (continued)

\$87,400 and \$106,260 based on total volunteer hours of 8,740 and 10,626, 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, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Special events	\$ 12,500	\$ 30,500
Vet services	45,500	94,252
Spay/neuter discounts	33,630	297,263
Advertising	156,688	135,069
Kennel food and supplies	19,100	22,735
	<u>\$ 267,418</u>	<u>\$ 579,819</u>

Notes

Note 4 – Property and Equipment

Property and equipment at September 30, 2018 and 2017 consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 182,787	\$ 182,787
Buildings and improvements	1,070,871	997,356
Spay / neuter unit	201,789	201,789
Kennels and equipment	88,424	72,301
Vehicles	47,654	48,954
	<u>1,591,525</u>	<u>1,503,187</u>
Less: accumulated depreciation	<u>(287,066)</u>	<u>(217,937)</u>
Net property and equipment	<u>\$1,304,459</u>	<u>\$1,285,250</u>

Note 5 – Investments

Short-term investments consist of U.S. Treasury notes, 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 the Humane Society's fiscal years. The fair values at September 30, 2018 and 2017 are as follows:

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

Note 5 – Investments (continued)

	2018	2017
US treasury notes	\$ -	\$ 300,552
Mutual funds	225,847	-
Certificates of deposit	619,278	278,887
	\$ 845,125	\$ 579,439

Investment return for the years ended September 30, 2018 and 2017 is summarized as follows:

	2018	2017
Interest income	\$ 5,636	\$ 5,602
Investment income	17,824	-
	\$ 23,460	\$ 5,602

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.

	2018	2017
Level 1:		
Investments	\$ 845,125	\$ 579,439
	\$ 845,125	\$ 579,439

Note 6 – Pledges Receivable

Continuing the fundraising campaign that began during the year ended September 30, 2015, the Humane Society held a fourth annual luncheon in which new pledges were received. The pledges are discounted to present value using a discount rate of 2.96% and 1.92% for the years ended September 30, 2018 and 2017, respectively. The net present value is estimated with a 10% uncollectible allowance for the years ended September 30, 2018 and 2017, respectively.

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

Note 6 – Pledges Receivable (continued)

The activity and remaining balance at September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Beginning gross pledges	\$ 388,637	\$ 358,521
New pledges received	553,710	339,900
Payments received	<u>(262,029)</u>	<u>(309,784)</u>
Ending gross pledges	680,318	388,637
Discount to present value	<u>(43,594)</u>	<u>(17,962)</u>
Present value of gross pledges	636,724	370,675
Estimated uncollectible	<u>(63,672)</u>	<u>(37,067)</u>
Net present value of pledges	<u>\$ 573,052</u>	<u>\$ 333,608</u>

Future net amounts due on these pledges are shown below:

Year 1	\$ 169,910
Year 2	165,025
Year 3	160,281
Year 4	<u>77,836</u>
	<u>\$ 573,052</u>

Note 7 – 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, 2018 and 2017, the amounts in excess of the insured limit were \$61,430 and \$0, respectively.

Note 8 – Restatement of Prior Year Audited Amounts

The prior year issued financial statements did not include \$19,583 of grants receivable that should have been reflected as revenue in the Statement of Activities. The amount has no impact on the 2018 activities and results primarily in an increase of prior period unrestricted net assets on the Statements of Net Assets.

Note 9 – Subsequent Events

Management has evaluated subsequent events through February 15, 2019, the date the financial statements were available to be issued.

See independent auditor's report.