

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020 AND 2019

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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, 2020, 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, 2020, 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.

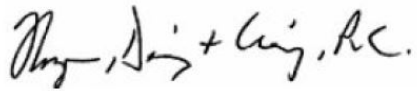
Woody Thompson, CPA | Ronnie Craig, CPA | Dillard Leverkuhn, CPA | Lyn Kuciemba, CPA | James Larkin, CPA

Peggy Adcock, CPA | Sandy Beavers, CPA | Alline Briers, CPA | Priscilla Butler, CPA | Kyle Cox, CPA | Gay Vick Craig, CPA | Kay Dobbins, CPA | Jade Engel, CPA

Deanna Harris, CPA | Emily Hogan, CPA | Logan Kendrick, CPA, ABV | Kelley Malone, CPA | Esther Parra, CPA | Audrey Strutton, CPA | A.J. Taylor, CPA | Marian Rose Varisco, CPA

Report on Summarized Comparative Information

We have previously audited the Aggieland Humane Society's 2019 financial statements, and our report dated January 28, 2020, 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



THOMPSON, DERRIG & CRAIG, PC

February 26, 2021

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2020 AND 2019

	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,963,278	\$ 1,604,582
Short-term investments	229,665	338,796
Grants receivable	36,695	41,328
Pledges receivable, net	222,620	153,546
Prepaid expenses	2,670	6,052
Total current assets	2,454,928	2,144,304
Property and equipment (net)	1,193,103	1,253,239
Other assets		
Community Foundation	25,000	25,000
Pledges receivable, net of current portion	553,759	373,408
Cash surrender value of life insurance	1,909	2,949
Total other assets	580,668	401,357
Total Assets	\$ 4,228,699	\$ 3,798,900
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 9,311	\$ 4,022
Accrued expenses	26,952	31,299
Total current liabilities	36,263	35,321
Net Assets:		
Without donor restrictions	3,328,895	3,146,419
With donor restrictions	863,541	617,160
Total net assets	4,192,436	3,763,579
Total Liabilities and Net Assets	\$ 4,228,699	\$ 3,798,900

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2020	2019
Support and Revenue:				
Animal care revenue:				
Adoption	\$ 96,019	\$ -	\$ 96,019	\$ 90,603
Animal care services	29,519	-	29,519	35,990
Tags and microchips	238,600	-	238,600	244,588
Spay / neuter services	115,247	-	115,247	145,968
Total Revenue	<u>479,385</u>	<u>-</u>	<u>479,385</u>	<u>517,149</u>
Contributions and fundraising:				
Animal care grants	419,100	-	419,100	395,500
Contributions	452,615	526,903	979,518	620,075
Special events	42,465	-	42,465	14,451
In-kind contributions	214,815	-	214,815	215,100
Total Support	<u>1,128,995</u>	<u>526,903</u>	<u>1,655,898</u>	<u>1,245,126</u>
Other:				
Interest and other	8,241	-	8,241	20,152
Investment income	(4,157)	-	(4,157)	34,028
Assets released from restrictions				
Pledges received	228,855	(228,855)	-	-
Use in restricted program	51,667	(51,667)	-	-
Total Other	<u>284,606</u>	<u>(280,522)</u>	<u>4,084</u>	<u>54,180</u>
Total Support and Revenue	<u>1,892,986</u>	<u>246,381</u>	<u>2,139,367</u>	<u>1,816,455</u>
Expenses:				
Program (animal care)	1,095,254	-	1,095,254	1,084,923
Program (S/N unit)	255,417	-	255,417	255,596
Administrative	192,263	-	192,263	199,121
Fundraising	167,576	-	167,576	182,190
Total Expenses	<u>1,710,510</u>	<u>-</u>	<u>1,710,510</u>	<u>1,721,830</u>
Change in net assets	182,476	246,381	428,857	94,625
Beginning net assets	<u>3,146,419</u>	<u>617,160</u>	<u>3,763,579</u>	<u>3,668,954</u>
Ending net assets	<u>\$ 3,328,895</u>	<u>\$ 863,541</u>	<u>\$ 4,192,436</u>	<u>\$ 3,763,579</u>

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

AGGIELAND HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Program				Totals	
	Animal Care	S/N Unit	Administrative	Fundraising	2020	2019
Salaries	\$ 489,446	\$ 176,224	\$ 99,850	\$ 66,567	\$ 832,087	\$ 795,408
Payroll taxes	36,506	13,371	7,481	4,988	62,346	59,535
Payroll related items	65,634	2,146	10,167	6,778	84,725	79,661
Advertising	116,546	-	-	29,136	145,682	160,377
Veterinary services	96,423	-	-	-	96,423	84,233
Special events	-	-	-	45,494	45,494	56,809
Spay / neuter expenses	11,925	43,497	-	-	55,422	70,834
Kennel supplies	89,719	-	-	-	89,719	84,871
Technology	13,391	-	10,712	2,678	26,781	22,080
Depreciation	29,365	20,179	16,514	-	66,058	74,437
Insurance	8,178	-	8,178	-	16,356	14,043
Auto expense	1,525	-	1,525	-	3,050	2,482
Microchip	16,350	-	-	-	16,350	17,069
Travel and education	9,152	-	-	-	9,152	17,102
Repairs and maintenance	20,437	-	6,812	-	27,249	23,012
Telephone and utilities	19,166	-	6,389	-	25,555	29,626
Tags	52,752	-	-	-	52,752	48,480
Bank charges	-	-	4,594	4,594	9,188	8,903
Office supplies	9,788	-	7,341	7,341	24,470	39,589
Professional fees	-	-	12,700	-	12,700	21,780
Volunteer expenses	7,503	-	-	-	7,503	5,651
Miscellaneous expenses	1,448	-	-	-	1,448	5,848
Total expenses	\$ 1,095,254	\$ 255,417	\$ 192,263	\$ 167,576	\$ 1,710,510	\$ 1,721,830

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

**AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

Cash Flows from Operating Activities:

	2020	2019
Change in net assets	\$ 428,857	\$ 94,625
Adjustments to reconcile change in net assets to		
Net cash provided by operating activities:		
Depreciation	66,058	74,437
Change in operating assets and payables:		
Contributions receivable	-	28,256
Grants receivable	4,633	(846)
Pledges receivable	(249,425)	46,098
Prepaid expenses	4,422	(1,602)
Accounts payable	5,289	692
Accrued expenses	(4,347)	(3,750)
Accrued expenses	-	(11,916)
Net cash provided by operating activities	<u>255,487</u>	<u>225,994</u>

Cash Flows from Investing Activities:

Purchase of property and equipment	(5,922)	(23,217)
Proceeds from investment maturities	109,131	506,329
Net cash provided by (used in) investing activities	<u>103,209</u>	<u>483,112</u>
Change in cash	358,696	709,106
Beginning cash	<u>1,604,582</u>	<u>895,476</u>
Ending cash	<u>\$ 1,963,278</u>	<u>\$ 1,604,582</u>

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

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

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, 2020 AND 2019

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, 2020 AND 2019**

Note 2 – Summary of Significant Accounting Policies (continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service revenue consist of single performance obligations that are recognized at a point in time when services are provided. Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

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.

See independent auditor's report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 2 – Summary of Significant Accounting Policies (continued)

Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014 - 09, “Revenue from Contracts with Customers (Topic 606)”. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. VFC adopted the new standard effective October 1, 2019, the first day of their fiscal year using the modified retrospective approach.

The adoption of this ASU did not have a significant impact on the Company’s financial statements. The majority of the Company’s revenue arrangements consist of a single performance obligation to transfer promised goods and services. Based on the company’s evaluation process and review of its contracts with customers, the timing and amount of revenue previously recognized is consistent with how revenue is recognized under the new standard. No changes were required to previously recognized revenue as a result of the adoption.

Note 3 – Liquidity and Availability

The following reflects Aggieland Humane Society’s financial assets as of September 30, 2020 and 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.

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,963,278	\$ 1,604,582
Receivables	813,074	568,282
Short-term investments	229,665	338,796
Less financial assets held to meet donor imposed restrictions	<u>(863,541)</u>	<u>(617,160)</u>
Amount available for general expenditures within one year	<u>\$ 2,142,476</u>	<u>\$ 1,894,500</u>

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

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 4 – Restrictions on Net Assets

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

	2020	2019
TNR program (purpose restriction)	87,162	90,206
Pledges receivable (time restriction)	776,379	526,954
	\$ 863,541	\$ 617,160

The Humane Society also received a conditional promise to give of approximately \$240,000 as of September 30, 2020, representing a testamentary pledge. Due to the inherent nature of this conditional promise involving unknown timing and exact amounts of actual cash receipts upon execution of the donor’s will, management has not attempted to estimate a present fair value of this promise to give, and it is appropriately not recognized in the statement of activities.

Note 5 – Donated Services and Support

The Humane 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, 2020 and 2019 is estimated to be approximately \$44,530 and \$84,270 based on total volunteer hours of 4,453 and 8,427, 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, 2020 and 2019 are as follows:

	2020	2019
Special events	\$ 8,174	\$ 10,500
Vet services	44,700	34,150
Spay/neuter discounts	9,000	14,542
Advertising	131,769	140,489
Kennel food and supplies	21,172	15,419
	\$ 214,815	\$ 215,100

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 6 – Property and Equipment

Property and equipment at September 30, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Land	\$ 182,787	\$ 182,787
Buildings and improvements	1,100,010	1,094,088
Spay / neuter unit	201,789	201,789
Kennels and equipment	74,309	74,309
Vehicles	<u>47,654</u>	<u>47,654</u>
	1,606,549	1,600,627
Less: accumulated depreciation	<u>(413,446)</u>	<u>(347,388)</u>
Net property and equipment	<u>\$1,193,103</u>	<u>\$1,253,239</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 the Humane Society’s fiscal years. The fair values at September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Mutual funds	\$ 229,665	\$ 238,577
Certificates of deposit	<u>-</u>	<u>100,219</u>
	<u>\$ 229,665</u>	<u>\$ 338,796</u>

Investment return for the years ended September 30, 2020 and 2019 is summarized as follows:

	<u>2020</u>	<u>2019</u>
Interest income	\$ 2,646	\$ 4,737
Investment income	<u>(4,157)</u>	<u>34,028</u>
	<u>\$ (1,511)</u>	<u>\$ 38,765</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 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.

See independent auditor’s report.

**AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

Note 7 – Investments (continued)

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.

	2020	2019
Level 1:		
Investments	\$ 229,665	\$ 338,796
	\$ 229,665	\$ 338,796

Note 8 – Pledges Receivable

Continuing the fundraising campaign that began during the year ended September 30, 2015, the Humane Society held a sixth annual luncheon in which new pledges were received. The pledges are discounted to present value using a discount rate of 0.28% and 1.55% for the years ended September 30, 2020 and 2019, respectively. The net present value is estimated with a 10% uncollectible allowance determined by management for the years ended September 30, 2020 and 2019, respectively.

The activity and remaining balance at September 30, 2020 and 2019 are as follows:

	2020	2019
Beginning gross pledges	\$ 606,380	\$ 680,318
New pledges received	478,280	75,520
Payments received	(216,490)	(149,458)
Ending gross pledges	868,170	606,380
Discount to present value	(5,527)	(20,875)
Present value of gross pledges	862,643	585,505
Estimated uncollectible	(86,264)	(58,551)
Net present value of pledges	\$ 776,379	\$ 526,954

Future net amounts due on these pledges are shown below:

Year 1	\$ 222,620
Year 2	221,999
Year 3	221,379
Year 4	110,381
	\$ 776,379

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019

Note 9 – Concentrations

Aggieland Humane Society maintains cash held in financial institutions in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation. As of September 30, 2020, and 2019, the amounts in excess of the insured limit were \$82,065 and \$256,984, respectively. Aggieland Humane Society also has money market funds held in a brokerage account classified as cash equivalents of \$1,322,514 and \$815,522 as of September 30, 2020 and 2019, respectively. These funds are not federally insured but insured by the Securities Investor Protection Corporation.

Note 10 – Retirement Plan

Aggieland Humane Society began offering a qualified retirement plan under Section 403(b) of the Internal Revenue Code during year ended September 30, 2020, retroactive to October 1, 2019. All employee working at least 20 hours per week are eligible for the retirement program. Participants will be eligible for an additional 3% match to their personal contributions up to the annual limit allowed by the IRS. Employer contributions to the plan amounted to \$6,868 for the year ended September 30, 2020. There are no other post-retirement benefits.

Note 11 – Risks and Uncertainties

The Organization's ongoing profitability may experience instability and estimates included in the financial statements may change due to current political and economic conditions as a result of public health concerns related to the novel coronavirus, or COVID-19. The duration and intensity of these impacts and resulting disruption to which these events affect Aggieland Humane Society's operations will depend on future developments, which are highly uncertain and cannot be predicted at this time.

Note 12 – Subsequent Events

Management has evaluated subsequent events through February 26, 2021, the date the financial statements were available to be issued.