

AGGIELAND HUMANE SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

SEPTEMBER 30, 2022 AND 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Aggieland Humane Society

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Aggieland Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Aggieland Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

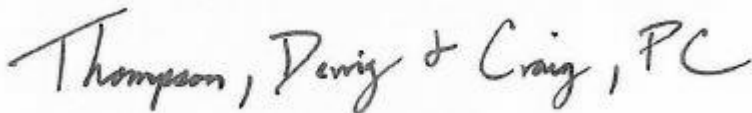
In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Aggieland Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Aggieland Humane Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Aggieland Humane Society's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 22, 2022. In our opinion, the summarized comparative financial information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



THOMPSON, DERRIG, & CRAIG, P.C.

January 21, 2023

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2022 AND 2021

	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,007,101	\$ 924,815
Short-term investments	1,396,570	1,494,940
Grants receivable	39,575	31,735
Pledges receivable, net	441,869	192,346
Prepaid expenses	6,813	6,540
Total current assets	2,891,928	2,650,376
Property and equipment (net)	1,312,474	1,307,863
Other assets		
Cash for capital campaign	1,053,140	-
Community Foundation	30,000	35,000
Pledges receivable, net of current portion	1,028,762	469,254
Total other assets	2,111,902	504,254
Total Assets	\$ 6,316,304	\$ 4,462,493
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 10,287	\$ 7,851
Accrued expenses	59,882	28,652
Other liabilities	-	61,864
Total current liabilities	70,169	98,367
Net Assets:		
Without donor restrictions	3,520,868	3,537,675
With donor restrictions	2,725,267	826,451
Total net assets	6,246,135	4,364,126
Total Liabilities and Net Assets	\$ 6,316,304	\$ 4,462,493

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

AGGIELAND HUMANE SOCIETY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH COMPARATIVE TOTALS FOR 2021

	Without Donor Restrictions	With Donor Restrictions	Totals	
			2022	2021
Support and revenues				
Animal care revenue				
Adoption	\$ 119,702	\$ -	\$ 119,702	\$ 103,977
Animal care services	34,839	-	34,839	36,344
Tags and microchips	270,846	-	270,846	303,930
Spay / neuter services	159,615	-	159,615	132,856
Total revenue	585,002	-	585,002	577,107
Contributions and fundraising				
Animal care grants	419,100	-	419,100	406,020
Contributions	475,378	2,219,911	2,695,289	679,749
Special events	31,447	-	31,447	51,470
In-kind contributions	224,112	-	224,112	49,860
Total support	1,150,037	2,219,911	3,369,948	1,187,099
Other income				
Interest and other	18,493	-	18,493	7,372
Investment income (loss)	(101,169)	-	(101,169)	136,440
Net assets released from restrictions				
Pledges received	271,435	(271,435)	-	-
Released from program restrictions	49,660	(49,660)	-	-
Total other income	238,419	(321,095)	(82,676)	143,812
Total support and revenue	1,973,458	1,898,816	3,872,274	1,908,018
Expenses				
Program (animal care)	1,264,586	-	1,264,586	1,050,021
Program (S/N unit)	290,885	-	290,885	298,260
Administrative	256,749	-	256,749	246,344
Fundraising	178,045	-	178,045	141,703
Total expenses	1,990,265	-	1,990,265	1,736,328
Change in net assets	(16,807)	1,898,816	1,882,009	171,690
Beginning net assets	3,537,675	826,451	4,364,126	4,192,436
Ending net assets	\$ 3,520,868	\$ 2,725,267	\$ 6,246,135	\$ 4,364,126

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

AGGIELAND HUMANE SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2022
WITH COMPARATIVE TOTALS FOR 2021

	Program			Totals		
	Animal Care	S/N Unit	Administrative	Fundraising	2022	2021
Salaries	\$ 578,295	\$ 200,567	\$ 116,829	\$ 77,886	\$ 973,577	\$ 925,540
Payroll taxes	40,702	15,339	8,406	5,604	70,051	68,283
Payroll related items	83,221	2,522	12,862	8,574	107,179	114,562
Advertising	89,342	-	-	22,336	111,678	12,902
Veterinary services	132,322	-	-	-	132,322	106,791
Special events	-	-	-	44,016	44,016	32,378
Spay / neuter expenses	-	52,278	-	-	52,278	49,126
Kennel supplies	121,489	-	-	-	121,489	74,189
Technology	19,501	-	15,601	3,900	39,002	36,258
Depreciation	39,771	20,179	19,982	-	79,932	64,482
Insurance	8,030	-	8,029	-	16,059	16,027
Auto expense	1,649	-	1,649	-	3,297	-
Microchip	17,675	-	-	-	17,675	13,276
Travel and education	11,161	-	-	-	11,161	16,479
Repairs and maintenance	22,174	-	7,390	-	29,565	32,262
Telephone and utilities	18,971	-	6,324	-	25,295	26,049
Tags	61,877	-	-	-	61,877	56,746
Bank charges	-	-	6,819	6,819	13,638	10,666
Office supplies	11,880	-	8,910	8,910	29,700	30,383
Professional fees	-	-	42,424	-	42,424	43,635
Volunteer expenses	6,526	-	-	-	6,526	4,252
Miscellaneous expenses	-	-	1,524	-	1,524	2,042
Total expenses	\$ 1,264,586	\$ 290,885	\$ 256,749	\$ 178,045	\$ 1,990,265	\$ 1,736,328

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

AGGIELAND HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 1,882,009	\$ 171,690
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	79,932	64,482
Unrealized (gain)/loss on investment	101,169	(136,440)
Donated securities	(35,379)	-
Change in operating assets and payables:		
Grants receivable	(7,840)	4,960
Pledges receivable	(809,031)	114,779
Prepaid expenses	(273)	(1,961)
Accounts payable	2,436	(1,460)
Accrued expenses	31,230	1,700
Other liabilities	(61,864)	61,864
Net cash provided (used) by operating activities	1,182,389	279,614
Cash Flows from Investing Activities		
Purchase of property and equipment	(84,543)	(179,242)
Proceeds from (purchase of) investments	37,580	(1,138,835)
Net cash provided (used) by investing activities	(46,963)	(1,318,077)
Change in cash	1,135,426	(1,038,463)
Beginning cash	924,815	1,963,278
Ending cash	\$ 2,060,241	\$ 924,815

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

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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

Basis of Presentation

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, 2022 AND 2021

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).

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.

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 2 – Summary of Significant Accounting Policies (continued)

Contributions

Contributions, including unconditional promises to give and grants, 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. If the donor restrictions are met in the same period as received, the amount is reported as an increase in net assets without 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.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 3 – Liquidity and Availability

The following reflects Aggieland Humane Society’s financial assets as of September 30, 2022 and 2021, respectively, 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.

	2022	2021
Cash and cash equivalents	\$ 2,060,241	\$ 924,815
Pledges receivable	441,869	192,346
Grants receivable	39,575	31,735
Short-term investments	1,396,570	1,494,940
Less financial assets held to meet donor imposed restrictions	(2,118,191)	(826,451)
Amount available for general expenditures within one year	\$ 1,820,064	\$ 1,817,385

Of the \$1,212,988 available for general expenditures, \$100,000 was reserved by management for major repairs, replacements, and improvements as of September 30, 2022. As part of the Humane Society’s liquidity management plan, the Organization invests excess cash in certificates of deposit or mutual funds and structures its financial assets to be available as general expenditures, liabilities, and other obligations become due.

Note 4 – Restrictions on Net Assets

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

	2022	2021
Medicine and Triage Facility (purpose restriction)	\$ 1,400,000	\$ -
S/N Facility (purpose restriction)	700,000	100,000
Animal Transport Vehicle (purpose restriction)	1,332	11,332
TNR program (purpose restriction)	13,859	53,519
Microchipping event (purpose restriction)	3,000	-
Pledges receivable (time restriction)	607,076	661,600
	\$ 2,725,267	\$ 826,451

Note 5 – Concentrations

Aggieland Humane Society maintains cash held in financial institutions in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). As of September 30, 2022 and 2021, the amounts in excess of the insured limit were \$1,217,798 and \$80,693, respectively. Aggieland Humane Society also has money market funds held in a brokerage account classified as cash equivalents of \$320,250 and \$282,670 as of September 30, 2022 and 2021, respectively. These funds are insured by the Securities Investor Protection Corporation (SIPC).

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 6 – 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, 2022 and 2021 is estimated to be approximately \$67,680 and \$32,080 based on total volunteer hours of 6,768 and 3,208, 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, 2022 and 2021 are as follows:

	2022	2021
Special events	\$ 10,500	\$ 3,500
Vet services	72,400	45,100
Spay/neuter discounts	1,500	1,260
Advertising	101,589	-
Kennel food and supplies	38,123	-
	\$ 224,112	\$ 49,860

Note 7 – Property and Equipment

Property and equipment at September 30, 2022 and 2021 consisted of the following:

	2022	2021
Land	\$ 233,552	\$ 233,552
Buildings and improvements	1,303,030	1,228,487
Spay / neuter unit	201,789	201,789
Kennels and equipment	74,309	74,309
Vehicles (including \$10,000 deposit)	57,654	47,654
	1,870,334	1,785,791
Less: accumulated depreciation	(557,860)	(477,928)
Net property and equipment	\$ 1,312,474	\$ 1,307,863

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 8 – Investments

Short-term investments consist, at various times throughout the year, 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, 2022 and 2021 are as follows:

	2022	2021
Mutual funds	\$ 1,396,570	\$ 1,494,940
	\$ 1,396,570	\$ 1,494,940

Investment return for the years ended September 30, 2022 and 2021 is summarized as follows:

	2022	2021
Interest income	\$ 4,031	\$ 829
Investment income (loss)	(101,169)	136,440
	\$ (97,138)	\$ 137,269

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. Level 3 inputs are only used when Level 1 or Level 2 inputs are 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.

	2022	2021
Level 1:		
Investments	\$ 1,396,570	\$ 1,494,940
	\$ 1,396,570	\$ 1,494,940

See independent auditor’s report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

Note 9 – Pledges Receivable

Continuing the fundraising campaign that began during the year ended September 30, 2015, the Humane Society held an annual luncheon in which new pledges were received. The pledges are discounted to present value using a discount rate of 4.06% and 1.37% for the years ended September 30, 2022 and 2021, respectively. The net present value is estimated with a 10% uncollectible allowance determined by management for the years ended September 30, 2022 and 2021, respectively.

The activity and remaining balance at September 30, 2022 and 2021 are as follows:

	2022	2021
Beginning gross pledges	\$ 758,259	\$ 868,170
New pledges received	2,016,912	155,950
Payments received	(985,024)	(259,736)
Write-offs	(2,000)	(6,125)
Ending gross pledges	1,788,147	758,259
Discount to present value	(154,113)	(23,148)
Present value of gross pledges	1,634,034	735,111
Estimated uncollectible	(163,403)	(73,511)
Net present value of pledges	<u>\$ 1,470,631</u>	<u>\$ 661,600</u>

Future net amounts due on these pledges are shown below:

	General Pledges	Capital Campaign	Total
Year 1	\$ 182,403	\$ 259,466	\$ 441,869
Year 2	175,287	249,342	424,629
Year 3	168,448	239,614	408,062
Year 4	80,938	115,133	196,071
	<u>\$ 607,076</u>	<u>\$ 863,555</u>	<u>\$ 1,470,631</u>

Note 10 – Retirement Plan

Aggieland Humane Society began offering a qualified retirement plan under Section 403(b) of the Internal Revenue Code during the year ended September 30, 2020, retroactive to October 1, 2019. All employees working at least 20 hours per week are eligible for the retirement program. Participants are 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 \$17,078 and \$17,806 for the year ended September 30, 2022 and September 30, 2021, respectively.

See independent auditor's report.

AGGIELAND HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2022 AND 2021

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 January 21, 2023, the date the financial statements were available to be issued.