

**THE HUMANE SOCIETY OF
AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)**

**Financial Statements
as of and for the Years Ended
June 30, 2019 and 2018 and
Independent Auditors' Report**





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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Humane Society of Austin and Travis County, Inc.
(dba Austin Humane Society):

We have audited the accompanying financial statements of The Humane Society of Austin and Travis County, Inc. (dba Austin Humane Society) (the "Society") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 the Society as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Society adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

A handwritten signature in blue ink that reads "Maxwell Locke & Ritter LLP". The signature is written in a cursive, flowing style.

Austin, Texas
March 5, 2020

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 418,069	\$ 220,311
Investments	693,815	694,048
Contributions receivable, net	1,859,759	839,145
Accounts receivable	26,315	23,898
Prepaid expenses and other assets	23,348	37,431
Inventory	23,059	21,197
Cash restricted to investment in building construction	133,056	619,199
Property and equipment, net	<u>9,239,677</u>	<u>9,047,300</u>
TOTAL ASSETS	<u>\$ 12,417,098</u>	<u>\$ 11,502,529</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	\$ 78,170	\$ 68,734
Accrued liabilities	165,859	149,315
Note payable	<u>4,684,567</u>	<u>4,957,567</u>
Total liabilities	4,928,596	5,175,616
NET ASSETS:		
Without donor restrictions	1,865,608	2,292,461
With donor restrictions	<u>5,622,894</u>	<u>4,034,452</u>
Total net assets	<u>7,488,502</u>	<u>6,326,913</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 12,417,098</u>	<u>\$ 11,502,529</u>

See notes to financial statements.

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND NET ASSETS			
RELEASED FROM RESTRICTIONS:			
Contributions, net	\$ 1,952,001	\$ 1,707,009	\$ 3,659,010
Program	597,227	-	597,227
Special events	552,630	-	552,630
Costs of direct benefits to donors	(108,196)	-	(108,196)
Donated goods and services	115,452	-	115,452
Investment income, net	15,471	-	15,471
Other income	103,247	-	103,247
Net assets released from restrictions	<u>118,567</u>	<u>(118,567)</u>	<u>-</u>
Total revenues and net assets released from restrictions	3,346,399	1,588,442	4,934,841
EXPENSES:			
Program services	2,746,150	-	2,746,150
Fundraising	963,383	-	963,383
Management and general	<u>63,719</u>	<u>-</u>	<u>63,719</u>
Total expenses	<u>3,773,252</u>	<u>-</u>	<u>3,773,252</u>
CHANGE IN NET ASSETS	(426,853)	1,588,442	1,161,589
NET ASSETS, beginning of year	<u>2,292,461</u>	<u>4,034,452</u>	<u>6,326,913</u>
NET ASSETS, end of year	<u><u>\$ 1,865,608</u></u>	<u><u>\$ 5,622,894</u></u>	<u><u>\$ 7,488,502</u></u>

See notes to financial statements.

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND NET ASSETS			
RELEASED FROM RESTRICTIONS:			
Contributions, net	\$ 1,899,313	\$ 4,029,131	\$ 5,928,444
Program	504,162	-	504,162
Special events	539,544	-	539,544
Costs of direct benefits to donors	(94,706)	-	(94,706)
Donated goods and services	114,223	-	114,223
Investment income, net	13,014	-	13,014
Other income	152,850	-	152,850
Net assets released from restrictions	<u>216,359</u>	<u>(216,359)</u>	<u>-</u>
Total revenues and net assets released from restrictions	3,344,759	3,812,772	7,157,531
EXPENSES:			
Program services	2,501,692	-	2,501,692
Fundraising	907,472	-	907,472
Management and general	<u>161,927</u>	<u>-</u>	<u>161,927</u>
Total expenses	<u>3,571,091</u>	<u>-</u>	<u>3,571,091</u>
CHANGE IN NET ASSETS	(226,332)	3,812,772	3,586,440
NET ASSETS, beginning of year	<u>2,518,793</u>	<u>221,680</u>	<u>2,740,473</u>
NET ASSETS, end of year	<u><u>\$ 2,292,461</u></u>	<u><u>\$ 4,034,452</u></u>	<u><u>\$ 6,326,913</u></u>

See notes to financial statements.

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services	Fundraising	Management and General	Total
Salaries and wages	\$ 1,314,669	\$ 216,534	\$ 15,467	\$ 1,546,670
Capital campaign	-	470,331	-	470,331
Office expenses	137,780	120,070	1,621	259,471
Medical supplies	256,374	-	-	256,374
Depreciation	208,295	-	-	208,295
Provision for uncollectible contributions receivable	178,955	-	-	178,955
Employee benefits	124,388	20,488	1,463	146,339
Occupancy	118,436	19,507	1,394	139,337
Payroll taxes	97,798	16,108	1,151	115,057
Vet services	85,055	-	-	85,055
Credit card and bank fees	21,737	37,367	256	59,360
Insurance	42,195	6,210	444	48,849
Events	-	44,472	-	44,472
Shelter supplies	41,751	-	-	41,751
Other fees for services	9,363	1,542	16,900	27,805
Professional fees	-	-	24,500	24,500
Training and development	24,361	-	-	24,361
Auto expense	11,520	-	-	11,520
Boutique	3,071	-	-	3,071
Other operating	70,402	10,754	523	81,679
Total expenses before cost of direct benefits to donors	2,746,150	963,383	63,719	3,773,252
Costs of direct benefits to donors	-	-	-	108,196
Total expenses	<u>\$ 2,746,150</u>	<u>\$ 963,383</u>	<u>\$ 63,719</u>	<u>\$ 3,881,448</u>

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018

	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,358,859	\$ 124,953	\$ 78,095	\$ 1,561,907
Capital campaign	-	588,022	-	588,022
Office expenses	134,340	98,198	7,721	240,259
Medical supplies	226,042	-	-	226,042
Depreciation	88,522	-	-	88,522
Employee benefits	143,690	13,213	8,258	165,161
Occupancy	107,643	9,898	6,187	123,728
Payroll taxes	99,800	9,177	5,736	114,713
Vet services	75,914	-	-	75,914
Credit card and bank fees	19,586	36,349	1,126	57,061
Insurance	36,222	3,013	1,883	41,118
Events	-	17,140	-	17,140
Shelter supplies	68,354	-	-	68,354
Other fees for services	9,881	909	26,352	37,142
Professional fees	-	-	23,100	23,100
Training and development	26,982	-	-	26,982
Auto expense	13,613	-	-	13,613
Boutique	1,984	-	-	1,984
Other operating	90,260	6,600	3,469	100,329
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before cost of direct benefits to donors	2,501,692	907,472	161,927	3,571,091
Costs of direct benefits to donors	-	-	-	94,706
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 2,501,692</u>	<u>\$ 907,472</u>	<u>\$ 161,927</u>	<u>\$ 3,665,797</u>

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 1,161,589	\$ 3,586,440
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for property and equipment	(402,904)	(3,189,936)
Depreciation	208,295	88,522
Change in discount to net present value for contributions receivable	86,670	67,824
Unrealized and realized gains on investments	233	(3,525)
Donated investments	-	(19,137)
Provision for uncollectible contributions	178,955	-
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	(1,286,239)	(685,289)
Accounts receivable	(2,417)	9,524
Prepaid expenses and other assets	14,083	(3,126)
Inventory	(1,862)	(4,243)
Accounts payable	9,436	(3,463)
Accrued liabilities	16,544	4,977
	<u>(17,617)</u>	<u>(151,432)</u>
Net cash used in operating activities	(17,617)	(151,432)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(400,672)	(555,994)
Net sales of investments	-	3,288
	<u>(400,672)</u>	<u>(552,706)</u>
Net cash used in investing activities	(400,672)	(552,706)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for property and equipment	402,904	3,189,936
Payments on note payable	(273,000)	(2,542,433)
	<u>129,904</u>	<u>647,503</u>
Net cash provided by financing activities	129,904	647,503
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(288,385)</u>	<u>(56,635)</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>839,510</u>	<u>896,145</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 551,125</u>	<u>\$ 839,510</u>
SUPPLEMENTAL DISCLOSURE-		
Interest paid in cash	<u>\$ 243,327</u>	<u>\$ 328,782</u>

See notes to financial statements.

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.
(dba AUSTIN HUMANE SOCIETY)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

1. NATURE OF OPERATIONS

The Humane Society of Austin and Travis County, Inc. (dba Austin Humane Society) (the “Society”) is a nonprofit community service agency that offers comprehensive, humane, life-saving animal services, transforming the lives of animals and those who love them. Because the Society believes homeless animals deserve a chance to thrive in a loving environment, they offer innovative nationally-recognized programs that save the lives of thousands of dogs and cats each year. The Society’s approach to addressing animal homelessness encompasses both finding animals homes through adoption as well as preventing future homelessness through spay and neuter programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Classifications - Net assets, revenues, gains, losses, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by the Society, or at the discretion of the Board of Directors (the “Board”) for the Society’s use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use to a specific purpose and/or the passage of time, or which require them to be maintained permanently. The Society had no permanent donor restricted net assets as of June 30, 2019 and 2018.

Cash and Cash Equivalents - Cash and cash equivalents include time deposits and all highly liquid instruments with original maturities of three months or less. Cash restricted to investment in building construction is related to the Society's capital campaign discussed in Note 9.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Investments - Investments are recorded in the statements of financial position at fair value. Investment transactions are recorded on the trade date and investment income is recorded when earned. Realized gains and losses are recorded in the statements of activities as the difference between historical cost and the proceeds received from the sale of an investment. Unrealized gains and losses are recorded for the change in fair value of investments between reporting periods. Realized and unrealized gains and losses are included in net investment income in the statements of activities.

Contributions Receivable - Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. Contributions receivable include amounts pledged over a period of one to five years (Note 6). The Society records a discount to reflect the present value of receivables using approximate market rates applicable to the years in which the pledge is included in contribution revenue. Although the Society has not experienced material uncollectible amounts in the past, an allowance for uncollectible pledges receivable has been established (Note 6).

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned. Delinquent accounts receivable invoices do not accrue interest. The Society continually monitors each customer's credit-worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Society adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. The Society had no allowance for uncollectible receivables as of June 30, 2019 or 2018, as management deemed all outstanding balances to be collectible.

Inventory - Inventory, which consists primarily of medical supplies, is stated at the lower of cost or net realizable value, as determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of disposal. Management reviews inventory for slow-moving items and records a reserve as necessary. No reserve was considered necessary as of June 30, 2019 and 2018.

Property and Equipment - Property and equipment are capitalized at cost if purchased and at fair market value on the date of receipt if donated. The Society capitalizes all acquisitions of property and equipment with a cost or donated value in excess of \$500. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of activities. Maintenance and repairs that do not improve or extend the useful life of the respective asset are expensed as incurred. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	7-40 years
Computer equipment and software	3-5 years
Kennel equipment	5-7 years
Furniture and fixtures	5-10 years
Automotive equipment	4-5 years
Surgical equipment	5-10 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Contributions - All contributions are recorded at their fair value and are considered to be available for operations of the Society unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related amounts are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Donated Goods and Services - Donated goods and services are reflected in the statements of activities at their fair value on the date of receipt. Donated services are recognized by the Society if the services received (a) create or enhance non-financial assets and (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the years ended June 30, 2019 and 2018, volunteers donated 116,704 and 142,123 hours, respectively, to the Society's program services and fundraising campaigns. No amounts have been recognized in the statements of activities for these volunteer hours because they do not require specialized skills. During the years ended June 30, 2019 and 2018, the Society received the following donated goods and services:

	2019	2018
Veterinary services	\$ 43,000	\$ 50,300
Vehicle	30,050	28,219
Audio visual services	24,390	-
Shelter supplies	13,012	30,704
Professional services	5,000	5,000
Total donated goods and services	<u>\$ 115,452</u>	<u>\$ 114,223</u>

Program Revenue - Program revenue includes fees for adoption, feral cat, and other services that are earned and recognized as revenue when the adoptions occur or as the services are provided.

Special Events Revenue - Special events revenue includes ticket sales and sponsorships of events. Ticket sales revenue is recorded when the event takes place and sponsorship revenue is recorded when the unconditional promise for the contribution is received. Costs of direct benefits to donors are recorded in the fiscal year in which the events are held. These costs primarily consist of entertainment, auction items, food and beverage, and facilities costs.

Functional Allocation of Expenses - The accompanying financial statements present expenses by functional and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Accordingly, certain costs have been allocated among the programs and supporting services benefited using a variety of cost allocation techniques, such as time and effort.

Federal Income Taxes - The Society is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Society did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2019 and 2018. The Society files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its returns; however, there are no examinations currently in progress.

Recently Adopted Accounting Pronouncement - In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designated amounts, and expense by both their natural and functional classification. The standard is effective for fiscal years beginning after December 15, 2017. During the year ended June 30, 2019, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

As of June 30, 2018, reclassifications driven by the adoption of ASU No. 2016-14 consisted of amounts previously reported as unrestricted net assets now presented as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets now presented as net assets with donor restrictions.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued ASU No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. The Society is currently evaluating the impact the standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Society is currently evaluating the impact the standard will have on its financial statements.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2019, the Society's financial assets available within one year for general expenditure were as follows:

Cash and cash equivalents	\$ 418,069
Investments	693,815
Accounts receivable	26,315
Contributions receivable, net of allowance, due in less than one year (unrelated to capital campaign)	<u>734,090</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 1,872,289</u>

The Society invests its funds in liquid investments in a manner to maximize return, minimize interest rate risk, and support cash flow requirements. The Board ensures the Society's financial stability by approving an annual budget prior to the start of each fiscal year. Any expenditures not in the approved budget must be approved. The Society maintains financial policies to ensure funds are allocated in a manner consistent with the mission of the Society. Amounts related to the Society's capital campaign (Note 9) are not included in amounts available for general expenditure within one year.

4. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Society to concentrations of credit risk consist of cash and cash equivalents, investments, and receivables. The Society places its cash and cash equivalents with a limited number of high-quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. The Society does not maintain collateral for its receivables. Three donors comprised 70% of contributions receivable as of June 30, 2019. Four donors comprised 85% of contributions receivable as of June 30, 2018. The Society is also subject to risk in the concentration of contribution and special events revenue from certain donors. Two donors comprised 29% of contribution and special events revenue as of June 30, 2019. One donor comprised 41% of contribution and special events revenue during the year ended June 30, 2018.

5. INVESTMENTS

Investments consisted of the following as of June 30, 2019:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Federal money market fund	\$ 614,609	\$ -	\$ 614,609	\$ -
Common stocks	74,577	74,577	-	-
Limited partnerships	4,629	-	-	4,629
Total investments	<u>\$ 693,815</u>	<u>\$ 74,577</u>	<u>\$ 614,609</u>	<u>\$ 4,629</u>

Investments consisted of the following as of June 30, 2018:

	Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Federal money market fund	\$ 614,609	\$ -	\$ 614,609	\$ -
Common stocks	74,810	74,810	-	-
Limited partnerships	4,629	-	-	4,629
Total investments	<u>\$ 694,048</u>	<u>\$ 74,810</u>	<u>\$ 614,609</u>	<u>\$ 4,629</u>

Level 1 investments consist of common stocks and have been valued using the market approach. Level 2 investments consist of a federal money market fund valued using the market approach. The federal money market fund is closed to new investors and is not actively traded. Level 3 investments have been valued using the income approach.

Net investment income was comprised of the following during the years ended June 30, 2019 and 2018:

	2019	2018
Net unrealized and realized (losses) gains	\$ (233)	\$ 3,525
Dividends and interest	15,704	9,489
Investment income, net	<u>\$ 15,471</u>	<u>\$ 13,014</u>

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give to the capital campaign (Note 9) and other contributions receivable. Contributions receivable were comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Amounts due in:		
Less than one year	\$ 1,272,929	\$ 217,019
One to five years	<u>838,500</u>	<u>689,950</u>
	2,111,429	906,969
Less discount to net present value	(86,670)	(67,824)
Less allowance for uncollectible contributions receivable	<u>(165,000)</u>	<u>-</u>
Total	<u>\$ 1,859,759</u>	<u>\$ 839,145</u>

The present value of estimated future cash flows on long-term contributions receivable was calculated using a discount rate of 5.50% and 5.00% as of June 30, 2019 and 2018, respectively.

Contributions receivable were as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Capital campaign	\$ 1,212,339	\$ 788,402
Other	<u>899,090</u>	<u>118,567</u>
Total contributions receivable	<u>\$ 2,111,429</u>	<u>\$ 909,969</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Building and improvements	\$ 6,611,935	\$ 6,609,372
Computer equipment and software	328,014	323,110
Kennel equipment	215,201	213,976
Furniture and fixtures	138,078	149,480
Automotive equipment	92,161	108,261
Surgical equipment	<u>34,071</u>	<u>30,776</u>
	7,419,460	7,434,975
Less accumulated depreciation	(1,729,003)	(1,551,433)
Land	2,481,844	2,481,844
Construction-in-progress	<u>1,067,376</u>	<u>681,914</u>
Property and equipment, net	<u>\$ 9,239,677</u>	<u>\$ 9,047,300</u>

Land and construction-in-progress are not depreciated. Capitalized interest related to the note payable for the purchase of building and land (Note 8) for the years ended June 30, 2019 and 2018 was \$264,781 and \$328,782, respectively.

8. NOTE PAYABLE

On June 13, 2017, the Society entered into a \$7,500,000 term note with a bank for the purchase of a building and land. On June 11, 2019, the term note was modified. Interest is due monthly at the prime rate, as defined (5.50% and 5.00% at June 30, 2019 and 2018, respectively), with the outstanding principal due at maturity on June 13, 2021. The note agreement also requires that 70% of capital campaign receipts be held for repayments of outstanding interest and principal. The note is collateralized by a security interest in the Society's investment accounts, rights to future capital campaign pledges and payments, all receivables, grants, and contributions, and the land and the building. The note payable is guaranteed by an individual.

9. NET ASSETS WITH DONOR RESTRICTIONS

During the year ended June 30, 2018, the Society began a capital campaign to fund the purchase of land and renovation of a building to serve as the Society's future headquarters that will include a new administration building, adoption center, dog run, and kennels on multiple levels.

Net assets with donor restrictions were restricted for the following purposes as of June 30:

	2019	2018
Capital campaign	\$ 4,718,483	\$ 3,910,564
Other time restrictions	899,090	114,888
Shelter manager salary	5,321	9,000
Total	<u>\$ 5,622,894</u>	<u>\$ 4,034,452</u>

10. LEASE COMMITMENTS

The Society leases office space and office equipment under non-cancellable operating lease agreements which expire during fiscal year 2020. Rent expense under these agreements was \$32,500 and \$31,900 during the years ended June 30, 2019 and 2018, respectively.

Future required minimum lease payments are \$27,500 for the year ending June 30, 2020.

11. RELATED PARTY TRANSACTIONS

Certain members of the Board contributed \$56,284 and \$55,410 to the Society during the years ended June 30, 2019 and 2018, respectively. Contributions receivable of \$52,200 and \$25,000 remained outstanding as of June 30, 2019 and 2018, respectively.

12. CHARITABLE TRUSTS

The Society has received communications indicating it has been named as a beneficiary in charitable trusts that are maintained by third-party trustees. As of June 30, 2019 and 2018, the value of these conditional promises to give could not be estimated, and were not recognized in the statements of financial position as they will be recorded as contributions in the period in which they become unconditional and the Society obtains information regarding the value of the promises to give.

13. AUSTIN COMMUNITY FOUNDATION ENDOWMENT FUND

In 2008, the Society transferred funds to the Austin Community Foundation (the “Foundation”) to establish the Austin Humane Society Every Animal Fund (the “Fund”). The Fund was established for the purpose of generating income, while corpus is preserved into perpetuity, to provide general support to the Society. Contributions to the Fund are from two sources: 1) the Society may contribute Board-designated unrestricted funds and 2) donors making restricted contributions directly to the Foundation to support the Society.

The Society recognizes the two sources of contributions as follows:

- The funds contributed by the Society are recognized as an asset and Board-designated unrestricted net assets on the Society’s statements of financial position, even though the agreement between the Society and the Foundation expressly creates a permanent endowment held irrevocably by the Foundation. The Society will record the related investment activity related to the Society’s contributions in the statements of activities. The value of the fund was \$6,363 and \$5,428 at June 30, 2019 and 2018, respectively, and is recorded within prepaid expenses and other assets on the statements of financial position.
- Donations made directly to the Foundation by individuals, corporations, and others are not recorded as contributions by the Society. The value of this fund at any point in time is not included in the financial statements. The Society will recognize contributions from the Foundation when the contribution is received by the Society. The value of this fund was \$220,840 and \$209,312 at June 30, 2019 and 2018, respectively. The Foundation preserves the principal amounts contributed in perpetuity and charges a fee as compensation for investing, administering, and distributing funds. Investments are administered in accordance with Foundation policies and monitored by an investment committee. The investment pool is a diversified portfolio of fixed income, large cap, small cap, international and alternative strategy investment vehicles which are managed by investment managers. Variance power is reserved by the Foundation’s Board of Governors and contained in the Foundation’s Articles of Incorporation and By-laws. This power provides the Board of Governors the ability to modify any restriction or condition on the distribution of assets, if circumstances warrant. The annual amount available to be distributed to the Society is based upon the spending policy of the Foundation as established by the Board of Governors. The current spending policy allows a maximum of up to five percent of the 20 quarter average of the endowment to be available for distribution. No distributions were received during the years ended June 30, 2019 and 2018.

14. SUBSEQUENT EVENTS

The Society has evaluated subsequent events through March 5, 2020 (the date the financial statements were available to be issued), and no events have occurred from the statement of financial position date through that date that would impact the financial statements.