

**The Humane Society of
Austin and Travis County, Inc.
(dba Austin Humane Society)**

**Financial Statements
as of and for the Years Ended
June 30, 2020 and 2019 and
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300
Round Rock, TX 78664

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, 2020 and 2019, 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

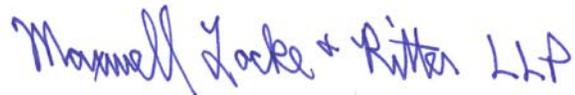
*"A Registered Investment Advisor"
This firm is not a CPA firm*

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, 2020 and 2019, 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.



Austin, Texas
July 26, 2021

The Humane Society of Austin and Travis County, Inc.
(dba Austin Humane Society)

Statements of Financial Position
June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 1,227,720	\$ 418,069
Investments	835,897	693,815
Contributions receivable, net	1,449,296	1,859,759
Accounts receivable	-	26,315
Prepaid expenses and other assets	17,930	23,348
Inventory	41,179	23,059
Cash restricted to investment in building construction	299,148	133,056
Property and equipment, net	<u>9,472,414</u>	<u>9,239,677</u>
Total assets	<u>\$ 13,343,584</u>	<u>\$ 12,417,098</u>
 Liabilities And Net Assets		
Liabilities:		
Accounts payable	\$ 95,348	\$ 78,170
Accrued liabilities	114,170	165,859
Deferred PPP grant revenue (Note 10)	460,487	-
Capital lease obligations	72,821	-
Note payable	<u>3,748,177</u>	<u>4,684,567</u>
Total liabilities	4,491,003	4,928,596
Net assets:		
Without donor restrictions	2,555,103	1,865,608
With donor restrictions	<u>6,297,478</u>	<u>5,622,894</u>
Total net assets	<u>8,852,581</u>	<u>7,488,502</u>
Total liabilities and net assets	<u>\$ 13,343,584</u>	<u>\$ 12,417,098</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, 2020

(with summarized comparative totals for the year ended June 30, 2019)

	2020			2019 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and net assets released from restrictions:				
Contributions, net	\$ 2,410,840	1,573,674	3,984,514	3,659,010
Special events	557,688	-	557,688	552,630
Costs of direct benefits to donors	(106,346)	-	(106,346)	(108,196)
Program	535,782	-	535,782	597,227
Donated goods and services	142,155	-	142,155	115,452
Investment income, net	3,609	-	3,609	15,471
Other income	82,697	-	82,697	103,247
Net assets released from restrictions	899,090	(899,090)	-	-
Total revenues and net assets released from restrictions	4,525,515	674,584	5,200,099	4,934,841
Expenses:				
Program services	3,000,409	-	3,000,409	2,746,150
Fundraising	623,948	-	623,948	963,383
Management and general	211,663	-	211,663	63,719
Total expenses	3,836,020	-	3,836,020	3,773,252
Change in net assets	689,495	674,584	1,364,079	1,161,589
Net assets, beginning of year	1,865,608	5,622,894	7,488,502	6,326,913
Net assets, end of year	\$ 2,555,103	6,297,478	8,852,581	7,488,502

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

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and net assets released from restrictions:			
Contributions, net	\$ 1,952,001	1,707,009	3,659,010
Special events	552,630	-	552,630
Costs of direct benefits to donors Program	(108,196)	-	(108,196)
Donated goods and services	597,227	-	597,227
Investment income, net	115,452	-	115,452
Other income	15,471	-	15,471
Other income	103,247	-	103,247
Net assets released from restrictions	118,567	(118,567)	-
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	63,719	-	63,719
Total expenses	3,773,252	-	3,773,252
Change in net assets	(426,853)	1,588,442	1,161,589
Net assets, beginning of year	2,292,461	4,034,452	6,326,913
Net assets, end of year	<u>\$ 1,865,608</u>	<u>5,622,894</u>	<u>7,488,502</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, 2020

(with summarized comparative totals for the year ended June 30, 2019)

	2020				2019
	Program Services	Fundraising	Management and General	2020 Total	Total
Salaries and wages	\$ 1,665,672	215,558	78,385	1,959,615	1,546,670
Office	121,962	109,950	5,739	237,651	259,471
Medical supplies	226,199	-	-	226,199	256,374
Employee benefits	183,263	23,716	8,624	215,603	146,339
Depreciation and amortization	225,286	-	-	225,286	208,295
Payroll taxes	123,313	15,958	5,803	145,074	115,057
Occupancy	116,590	15,088	5,486	137,164	139,337
Events	-	97,940	-	97,940	44,472
Information technology support	24,179	58,011	284	82,474	17,112
Insurance	55,715	7,128	2,592	65,435	48,849
Vet services	62,200	-	-	62,200	85,055
Credit card and bank fees	23,444	33,271	1,103	57,818	59,360
Professional fees	-	-	41,075	41,075	24,500
Shelter supplies	40,110	-	-	40,110	41,751
Provision for uncollectible contributions receivable	-	-	36,752	36,752	178,955
Capital campaign	-	34,079	-	34,079	470,331
Other fees for services	10,763	1,393	19,892	32,048	27,805
Training and development	23,944	-	-	23,944	24,361
Automobile	13,540	-	-	13,540	11,520
Boutique	5,228	-	-	5,228	3,071
Other operating	79,001	11,856	5,928	96,785	64,567
Total expenses before cost of direct benefits to donors	3,000,409	623,948	211,663	3,836,020	3,773,252
Costs of direct benefits to donors	-	-	-	106,346	108,196
Total expenses	<u>\$ 3,000,409</u>	<u>623,948</u>	<u>211,663</u>	<u>3,942,366</u>	<u>3,881,448</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
Office	137,780	120,070	1,621	259,471
Medical supplies	256,374	-	-	256,374
Employee benefits	124,388	20,488	1,463	146,339
Depreciation and amortization	208,295	-	-	208,295
Payroll taxes	97,798	16,108	1,151	115,057
Occupancy	118,436	19,507	1,394	139,337
Events	-	44,472	-	44,472
Information technology support	13,652	3,299	161	17,112
Insurance	42,195	6,210	444	48,849
Vet services	85,055	-	-	85,055
Credit card and bank fees	21,737	37,367	256	59,360
Professional fees	-	-	24,500	24,500
Shelter supplies	41,751	-	-	41,751
Provision for uncollectible contributions receivable	178,955	-	-	178,955
Capital campaign	-	470,331	-	470,331
Other fees for services	9,363	1,542	16,900	27,805
Training and development	24,361	-	-	24,361
Automobile	11,520	-	-	11,520
Boutique	3,071	-	-	3,071
Other operating	56,750	7,455	362	64,567
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>

See notes to financial statements.

The Humane Society of Austin and Travis County, Inc.
(dba Austin Humane Society)

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 1,364,079	\$ 1,161,589
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Contributions restricted for property and equipment	(1,216,431)	(402,904)
Depreciation and amortization	225,286	208,295
Change in discount to net present value for contributions receivable	(44,092)	86,670
Unrealized and realized losses on investments	7,918	233
Provision for uncollectible contributions	36,752	178,955
Donated property and equipment	(16,317)	-
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	417,803	(1,286,239)
Accounts receivable	26,315	(2,417)
Prepaid expenses and other assets	5,418	14,083
Inventory	(18,120)	(1,862)
Accounts payable	17,178	9,436
Accrued liabilities	(51,689)	16,544
Deferred PPP grant revenue	460,487	-
Net cash provided by (used in) operating activities	1,214,587	(17,617)
Cash Flows from Investing Activities:		
Net sales of investments	(150,000)	-
Purchases of property and equipment	(353,525)	(400,672)
Net cash used in investing activities	(503,525)	(400,672)
Cash Flows from Financing Activities:		
Principal payments on capital lease obligations	(15,360)	-
Contributions restricted for property and equipment	1,216,431	402,904
Payments on note payable	(936,390)	(273,000)
Net cash provided by financing activities	264,681	129,904
Net change in cash, cash equivalents, and restricted cash	975,743	(288,385)
Cash, cash equivalents, and restricted cash, beginning of year	551,125	839,510
Cash, cash equivalents, and restricted cash, end of year	\$ 1,526,868	\$ 551,125
Supplemental Disclosure-		
Interest paid in cash	\$ 193,930	\$ 243,327
Supplemental Noncash Disclosure-		
Donated property and equipment	\$ 16,317	\$ -

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, 2020 and 2019

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.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets were unchanged due to these reclassifications.

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, 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 permanently donor-restricted net assets as of June 30, 2020 and 2019.

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.

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

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. 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.

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, 2020 or 2019, 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, 2020 and 2019.

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. Land and construction-in-progress are not depreciated. Depreciation and amortization 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
Capital lease assets	5 years
Surgical equipment	5-10 years

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment at the asset group level 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 group exceeds fair value, if the carrying amount of the asset group is not recoverable.

Contributions - All contributions are recorded at their fair value and are considered to be available for operations 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, defined as those with a measurable performance or other barrier and a right of return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Special Events Revenue - Special events revenue includes ticket sales and sponsorships of events. Both ticket sales and sponsorship revenue are recognized when the conditional promises to give are met, which is when the event takes place. The Society receives ticket sales and sponsorships for future events. Cash receipts collected in advance of the event are deferred until the event takes place and the special event revenue is earned. 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.

Revenue Recognition - Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which the Society expects to be entitled in exchange for those goods or services by following a five-step process: (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as the Society satisfies a performance obligation, as further described below.

Program revenue includes fees for adoptions, spay/neuter surgery of feral cats, and other services that are earned and recognized as revenue when the adoptions occur or as the services are provided.

Costs to Obtain or Fulfill Contracts - The Society recognizes an asset for the incremental costs to obtain a contract if the Society expects to recover those costs through the margin inherent in the contract. When the amortization period of the asset that the Society otherwise would have recognized is one year or less, the Society applies the practical expedient to expense costs to obtain a contract as incurred. The Society recognizes an asset for the incremental costs to fulfill a contract, such as direct labor, if the costs relate directly to an existing or specific anticipated contract, generate or enhance resources that the Society will use to satisfy performance obligations in the future, and if the Society expects to recover those costs through the margin inherent in the contract. Management has not identified any costs to obtain or fulfill contracts which meet the criteria for capitalization.

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 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, 2020 and 2019, volunteers donated 108,248 and 116,704 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.

The Society received the following donated goods and services during the years ended June 30:

	<u>2020</u>	<u>2019</u>
Vehicles	\$ 48,168	\$ 30,050
Veterinary services	28,000	43,000
Audio visual services	24,390	24,390
Professional services	20,000	5,000
Shelter supplies	17,152	13,012
Other	4,445	-
Total donated goods and services	<u>\$ 142,155</u>	<u>\$ 115,452</u>

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, 2020 and 2019. 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.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes 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. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. The Society adopted Topic 606 on July 1, 2019 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. The Society performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets as of July 1, 2019 or to the statement of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended June 30, 2020 as a result of applying the new guidance.

Recently Issued Accounting Pronouncement - 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 statements of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statements 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, 2021 and early adoption is permitted. The Society is currently evaluating the impact the standard will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments, including trade receivables and other commitments to extend credit held by a reporting entity at each reporting date. Entities are required to replace the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects current expected credit losses and requires consideration of a broader range of reasonable and supportable information to determine credit loss estimates. The amendment is effective using a modified retrospective approach for fiscal years beginning after December 15, 2022 and early adoption is permitted. The Society is currently evaluating the impact the amendment will have on its financial statements.

3. Liquidity and Availability of Financial Assets

The Society's financial assets available within one year for general expenditure were as follows as of June 30:

	2020	2019
Cash and cash equivalents	\$ 1,227,720	\$ 418,069
Investments	835,897	693,815
Accounts receivable	-	26,315
Contributions receivable, net of allowance, due in less than one year (unrelated to capital campaign)	144,293	734,090
Total financial assets available to management for general expenditure within one year	<u>\$ 2,207,910</u>	<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. Concentration 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. Two donors comprised 60% of contributions receivable as of June 30, 2020. Three donors comprised 70% of contributions receivable as of June 30, 2019. The Society is also subject to risk in the concentration of contribution and special events revenue from certain donors. Two donors comprised 36% of contribution and special events revenue during the year ended June 30, 2020. Two donors comprised 29% of contribution and special events revenue as of June 30, 2019.

5. Investments

Investments reported at fair value consisted of the following as of June 30, 2020:

	Total Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Federal money market fund	\$ 764,609	-	764,609	-
Common stocks	66,659	66,659	-	-
Limited partnerships	4,629	-	-	4,629
Total investments	<u>\$ 835,897</u>	<u>66,659</u>	<u>764,609</u>	<u>4,629</u>

Investments reported at fair value consisted of the following as of June 30, 2019:

	Total 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>

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.

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>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 961,554	\$ 1,272,929
One to five years	<u>533,631</u>	<u>838,500</u>
	1,495,185	2,111,429
Less discount to net present value	(42,578)	(86,670)
Less allowance for uncollectible contributions receivable	<u>(3,311)</u>	<u>(165,000)</u>
Total	<u>\$ 1,449,296</u>	<u>\$ 1,859,759</u>

The present value of estimated future cash flows on long-term contributions receivable was calculated using a discount rate of 3.25% and 5.50% as of June 30, 2020 and 2019, respectively.

Contributions receivable were as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Capital campaign	\$ 1,347,581	\$ 1,212,339
Other	<u>147,604</u>	<u>899,090</u>
Total contributions receivable	<u>\$ 1,495,185</u>	<u>\$ 2,111,429</u>

7. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 6,720,432	\$ 6,611,935
Computer equipment and software	348,362	328,014
Kennel equipment	215,201	215,201
Furniture and fixtures	145,748	138,078
Automotive equipment	108,478	92,161
Capital lease assets	88,181	-
Surgical equipment	<u>46,769</u>	<u>34,071</u>
	7,673,171	7,419,460
Less accumulated depreciation	(1,954,289)	(1,729,003)
Land	2,481,844	2,481,844
Construction-in-progress	<u>1,271,688</u>	<u>1,067,376</u>
Property and equipment, net	<u>\$ 9,472,414</u>	<u>\$ 9,239,677</u>

Capitalized interest related to the note payable for the purchase of building and land (Note 8) for the years ended June 30, 2020 and 2019 was \$193,930 and \$264,781, respectively, and is included in construction-in-progress.

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 (3.25% and 5.50% at June 30, 2020 and 2019, 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.

In June 2021, the Society repaid its note payable that matured in June 2021 and entered into a new term note agreement with a different bank. The term note, with a principal balance of \$2,797,721, is payable in monthly installments of \$15,864, with an interest rate of 3.2% per annum, and a maturity date of June 14, 2026. The term note is collateralized by a security interest in the Society's receivables and revenue. The Society is also subject to a funded debt to unrestricted net assets debt covenant restriction under the term note agreement.

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:

	2020	2019
Capital campaign	\$ 6,149,874	\$ 4,718,483
Other time restrictions	142,283	899,090
Shelter manager salary	5,321	5,321
Total	<u>\$ 6,297,478</u>	<u>\$ 5,622,894</u>

10. Commitments and Contingencies

Lease Commitments

The Society leases its office space on a month-to-month basis. The Society has entered into noncancelable capital leases for copier equipment which expire during fiscal years 2024 and 2025. As of June 30, 2020, the equipment had a cost value of \$88,181 and accumulated amortization of \$16,426.

Future minimum lease payments under capital lease obligations were as follows as of June 30, 2020:

2021	\$	19,132
2022		19,132
2023		19,132
2024		19,132
2025		1,312
Total minimum lease payments		77,840
Less amounts representing interest		(5,019)
Capital lease obligations	\$	<u>72,821</u>

The Society leases office space to a third party under a non-cancellable operating lease agreement which expires during fiscal year 2022. Rental income under this agreement was \$82,274 and \$96,000 during the years ended June 30, 2020 and 2019, respectively and was included in other income. Future minimum operating lease income was as follows as of June 30, 2020:

2021	\$	78,000
2022		42,000
Total minimum lease payments	\$	<u>120,000</u>

Contingencies

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is expected to be temporary, there is uncertainty around the severity and duration. As a result of the COVID-19 pandemic, the Society transitioned from in-person to virtual animal adoptions, and additionally held its annual gala virtually. The Society is actively managing the business to maintain its cash flow and management believes that the Society has adequate liquidity.

The Society has taken various actions to preserve its liquidity. In April 2020, the Society received a \$460,487 loan under the Paycheck Protection Program (“PPP”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The loan has a fixed interest rate of 1% and matures in 2 years. The loan is eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds are used for payroll costs and the Society meets all necessary criteria as defined by the SBA. The Society accounted for the PPP loan as a conditional grant with two performance criteria including incurring qualifying expenses that will be forgiven as well as obtaining a formal forgiveness from the SBA. The performance obligations have not been met as of June 30, 2020 and is recorded in deferred PPP grant revenue in the consolidated statements of financial position.

11. Related Party Transactions

Certain members of the Board contributed \$47,197 and \$56,284 to the Society during the years ended June 30, 2020 and 2019, respectively. Contributions receivable of \$40,700 and \$52,200 remained outstanding as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 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 \$6,240 and \$6,363 at June 30, 2020 and 2019, respectively, and is recorded within 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 \$216,898 and \$220,840 at June 30, 2020 and 2019, 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, 2020 and 2019.

14. Subsequent Events

The Society has evaluated subsequent events through July 26, 2021, the date the consolidated financial statements were available to be issued.

In March 2021, the Society received a second PPP loan for \$439,936 under the CARES Act and the Paycheck Protection Flexibility Act of 2020. The loan has a fixed interest rate of 1% and matures in five years. The terms of forgiveness are similar to the PPP loan described in Note 10.

In June 2021, the Society refinanced its note payable with a bank (Note 8).

In July 2021, the Society received forgiveness of the first PPP loan for \$460,487, as described in Note 10.