

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

**Financial Statements  
as of and for the Years Ended  
June 30, 2017 and 2016 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, 2017 and 2016, the related statements of activities 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.

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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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, 2017 and 2016, 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.

## **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Austin, Texas  
January 31, 2018

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

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

|   | <u>2017</u>                 | <u>2016</u>                |
|---|-----------------------------|----------------------------|
| <b>ASSETS:</b>                          |                             |                            |
| Cash and cash equivalents               | \$ 896,145                  | \$ 1,322,790               |
| Investments                             | 674,674                     | 667,872                    |
| Contributions receivable                | 221,680                     | 119,820                    |
| Accounts receivable                     | 33,422                      | 50,730                     |
| Prepaid expenses and other assets       | 34,305                      | 24,995                     |
| Inventory                               | 16,954                      | 18,153                     |
| Property and equipment, net             | <u>8,579,828</u>            | <u>905,506</u>             |
| <b>TOTAL ASSETS</b>                     | <u><u>\$ 10,457,008</u></u> | <u><u>\$ 3,109,866</u></u> |
| <br><b>LIABILITIES AND NET ASSETS:</b>  |                             |                            |
| <b>LIABILITIES:</b>                     |                             |                            |
| Accounts payable                        | \$ 72,197                   | \$ 13,386                  |
| Accrued liabilities                     | 144,338                     | 109,782                    |
| Note payable                            | <u>7,500,000</u>            | <u>-</u>                   |
| Total liabilities                       | <u>7,716,535</u>            | <u>123,168</u>             |
| <b>NET ASSETS:</b>                      |                             |                            |
| Unrestricted                            | 2,518,793                   | 2,847,400                  |
| Temporarily restricted                  | <u>221,680</u>              | <u>139,298</u>             |
| Total net assets                        | <u>2,740,473</u>            | <u>2,986,698</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <u><u>\$ 10,457,008</u></u> | <u><u>\$ 3,109,866</u></u> |

See notes to financial statements.

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

**STATEMENTS OF ACTIVITIES**  
**YEARS ENDED JUNE 30, 2017 AND 2016**

|   | <u>2017</u>         | <u>2016</u>         |
|---|---------------------|---------------------|
| <b>CHANGES IN UNRESTRICTED NET ASSETS:</b>                            |                     |                     |
| REVENUES:   |                     |                     |
| Contributions   | \$ 1,827,196        | \$ 1,562,580        |
| Program   | 553,323             | 494,805             |
| Special events  | 479,613             | 408,307             |
| Donated goods and services  | 120,301             | 109,819             |
| Investment income   | 11,206              | 7,615               |
| Other income  | 32,087              | -                   |
| Total unrestricted revenues   | <u>3,023,726</u>    | <u>2,583,126</u>    |
| Net assets released from restrictions                                 | <u>139,298</u>      | <u>58,370</u>       |
| Total unrestricted revenues and net assets released from restrictions | <u>3,163,024</u>    | <u>2,641,496</u>    |
| EXPENSES:   |                     |                     |
| Program services  | 2,498,882           | 2,328,389           |
| Fundraising   | 811,928             | 412,297             |
| Management and general  | 180,821             | 234,181             |
| Total expenses  | <u>3,491,631</u>    | <u>2,974,867</u>    |
| Change in unrestricted net assets                                     | <u>(328,607)</u>    | <u>(333,371)</u>    |
| <b>CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:</b>                  |                     |                     |
| Contributions   | 221,680             | 139,298             |
| Net assets released from restrictions                                 | <u>(139,298)</u>    | <u>(58,370)</u>     |
| Change in temporarily restricted net assets                           | <u>82,382</u>       | <u>80,928</u>       |
| <b>CHANGE IN NET ASSETS</b>   | <u>(246,225)</u>    | <u>(252,443)</u>    |
| <b>NET ASSETS, beginning of year</b>                                  | <u>2,986,698</u>    | <u>3,239,141</u>    |
| <b>NET ASSETS, end of year</b>  | <u>\$ 2,740,473</u> | <u>\$ 2,986,698</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, 2017 AND 2016**

|  | <u>2017</u>              | <u>2016</u>                |
|--|--------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>   |                          |                            |
| Change in net assets   | \$ (246,225)             | \$ (252,443)               |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                          |                            |
| Depreciation and amortization  | 90,821                   | 75,694                     |
| Unrealized and realized gains on investments   | (6,802)                  | (4,544)                    |
| Changes in assets and liabilities:   |                          |                            |
| Contributions receivable   | (101,860)                | (109,000)                  |
| Accounts receivable  | 17,308                   | (22,826)                   |
| Prepaid expenses and other assets  | (9,310)                  | (1,017)                    |
| Inventory  | 1,199                    | 10,787                     |
| Accounts payable   | 58,811                   | (18,740)                   |
| Accrued liabilities  | 34,556                   | 23,617                     |
| Net cash used in operating activities  | <u>(161,502)</u>         | <u>(298,472)</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES-</b>   |                          |                            |
| Purchases of property and equipment  | <u>(7,765,143)</u>       | <u>(126,569)</u>           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES-</b>   |                          |                            |
| Proceeds from note payable   | <u>7,500,000</u>         | <u>-</u>                   |
| <b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>   | (426,645)                | (425,041)                  |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>  | <u>1,322,790</u>         | <u>1,747,831</u>           |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>  | <u><u>\$ 896,145</u></u> | <u><u>\$ 1,322,790</u></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, 2017 AND 2016**

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**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 organization 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/neuter programs.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

Unrestricted - Net assets not subject to donor-imposed stipulations.

Temporarily restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Society and/or the passage of time.

Permanently restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. The Society had no permanently restricted net assets as of June 30, 2017 and 2016.

**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.

**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 Society'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 Equivalents** - Cash equivalents include time deposits and all highly liquid instruments with original maturities of three months or less.

**Investments** - Investments are recorded at fair value. Realized gains and losses are recorded 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 recorded in the statements of activities, with investment income or losses.

**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. As of June 30, 2017 and 2016, all contributions receivable were due within one year, therefore, the Society did not record a net present value discount. The Society expects contributions receivable at year end to be fully collected within the next fiscal year so no allowance for uncollectible contributions receivable was recorded as of June 30, 2017 and 2016.

**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 regularly 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 at June 30, 2017 or 2016, as management deemed all outstanding balances to be collectible.



**Inventory** - Inventory, which consists primarily of medical supplies, is valued at the lower of cost or market. Cost is determined on the first-in, first-out method. Donated items are recorded at estimated fair value at the date of donation.

**Property and Equipment** - Acquisitions of property in excess of \$500 are capitalized. Property and equipment are capitalized at cost if purchased and at fair market value on the date of receipt if donated. Depreciation expense is calculated using the straight-line method and 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 subject to depreciation and amortization 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 temporarily restricted net assets, 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 temporarily restricted net assets are reclassified to unrestricted net assets. 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 unrestricted net assets 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.

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

**Special Events Revenue** - Special event revenue includes ticket sales and sponsorship contributions. Ticket sales revenue is recorded when the event takes place and sponsorship revenue is recorded when the unconditional promise for the contribution is received.

**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 or (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, 2017 and 2016, volunteers donated 94,190 and 95,598 hours, respectively, to the Society’s program services and fundraising campaigns. No amounts have been recognized in the statements of activities for these services because they do not require specialized skills. For the years ended June 30, 2017 and 2016, the Society received the following donated goods and services:

|                                  | 2017              | 2016              |
|----------------------------------|-------------------|-------------------|
| Veterinary services              | \$ 60,500         | \$ 40,000         |
| Donated vehicle                  | 30,842            | 29,550            |
| Donated Formula One tickets      | -                 | 20,000            |
| Shelter supplies                 | 23,959            | 15,269            |
| Professional services            | 5,000             | 5,000             |
| Total donated goods and services | <u>\$ 120,301</u> | <u>\$ 109,819</u> |

**Functional Allocation of Expenses** - The expenses of the Society’s various programs and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs benefited and supporting services based on estimates provided by management.

**Income Tax Status** - The Society is a nonprofit organization that is tax-exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except as it relates to any unrelated business income. The Society did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2017 and 2016. 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.

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

**Recently Issued Accounting Pronouncements** - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“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 new 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, 2019 and early adoption is permitted. The Society is currently evaluating the impact the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which 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 currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. Entities will be required to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. The Society is currently evaluating the impact the standard will have on its financial statements.

### **3. 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. One donor comprised 85% of contributions receivable at June 30, 2017.

#### 4. INVESTMENTS

Investments consisted of the following at June 30, 2017:

|                           | Fair Value        | Fair Value Measurements Using: |                   |                 |
|---------------------------|-------------------|--------------------------------|-------------------|-----------------|
|                           |                   | Level 1                        | Level 2           | Level 3         |
| Federal money market fund | \$ 614,609        | \$ -                           | \$ 614,609        | \$ -            |
| Common stocks             | 55,436            | 55,436                         | -                 | -               |
| Limited partnerships      | 4,629             | -                              | -                 | 4,629           |
| Total investments         | <u>\$ 674,674</u> | <u>\$ 55,436</u>               | <u>\$ 614,609</u> | <u>\$ 4,629</u> |

Investments consisted of the following at June 30, 2016:

|                           | Fair Value        | Fair Value Measurements Using: |                   |                 |
|---------------------------|-------------------|--------------------------------|-------------------|-----------------|
|                           |                   | Level 1                        | Level 2           | Level 3         |
| Federal money market fund | \$ 614,609        | \$ -                           | \$ 614,609        | \$ -            |
| Common stocks             | 48,634            | 48,634                         | -                 | -               |
| Limited partnerships      | 4,629             | -                              | -                 | 4,629           |
| Total investments         | <u>\$ 667,872</u> | <u>\$ 48,634</u>               | <u>\$ 614,609</u> | <u>\$ 4,629</u> |

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) at June 30, 2017 and 2016 were as follows:

|   |                 |
|---|-----------------|
| Balance, beginning of year                  | \$ 4,629        |
| Total gains or losses (realized/unrealized) | -               |
| Sales                                       | -               |
| Purchases, issuance, and settlements        | -               |
| Transfers in/out of level 3                 | -               |
| Balance, end of year                        | <u>\$ 4,629</u> |

Level 1 investments consist of common stocks and have been valued using the market approach. The federal money market fund included as level 2 investments has been valued using net asset value as a practical expedient, which is a market approach. The Society may continue to purchase and liquidate federal money market fund assets; however, the fund is closed to new investors and is not actively traded on an open exchange. Level 3 investments have been valued using the income approach.

## 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

|  | <u>2017</u>         | <u>2016</u>       |
|--|---------------------|-------------------|
| Building and improvements                      | \$ 6,609,372        | \$ 1,340,699      |
| Computer equipment and software                | 318,874             | 302,633           |
| Kennel equipment                               | 213,976             | 213,436           |
| Furniture and fixtures                         | 132,195             | 133,015           |
| Automotive equipment                           | 108,261             | 108,261           |
| Surgical equipment                             | <u>23,129</u>       | <u>23,129</u>     |
|  | 7,405,807           | 2,121,173         |
| Less accumulated depreciation and amortization | (1,462,911)         | (1,372,090)       |
| Land   | 2,481,844           | 156,423           |
| Construction in progress                       | <u>155,088</u>      | <u>-</u>          |
| Property and equipment, net                    | <u>\$ 8,579,828</u> | <u>\$ 905,506</u> |

## 6. 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. Interest is due monthly at the prime rate, as defined (4.25% at June 30, 2017), with the outstanding principal due at maturity on June 13, 2019. 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.

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of June 30:

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| Timing restrictions                     | \$ 204,180        | \$ 107,320        |
| Feline surgeries                        | 12,500            | 19,478            |
| Shelter manager salary                  | <u>5,000</u>      | <u>12,500</u>     |
| Total temporarily restricted net assets | <u>\$ 221,680</u> | <u>\$ 139,298</u> |

## 8. LEASE COMMITMENTS

The Society leases office space and other office equipment under operating leases which expire during fiscal year 2018. Rent expense under these agreements was \$29,300 and \$28,800 for the years ended June 30, 2017 and 2016, respectively.

Future required minimum lease payments are \$26,500 for the year ending June 30, 2017.

## **9. RELATED PARTY TRANSACTIONS**

Certain members of the Board of Directors (the “Board”) of the Society contributed \$16,230 and \$42,720 to the Society during the years ended June 30, 2017 and 2016, respectively.

## **10. 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 endowment fund are from two sources: 1) the Society may contribute board designated unrestricted funds to the endowment fund and 2) Donors making restricted contributions directly to the Foundation to support the Society.

FASB ASC 958 requires the two sources of contributions to be recognized by the Society and the Foundation 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 on the Society’s contributions in the statements of activities. The Foundation recognizes the Society’s contributions and related investment activity as a liability to the Society. The value of the fund was \$5,428 at June 30, 2017 and 2016, 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 other Foundations are not recorded as contributions by the Society. The Foundation will record these as contributions. The value of this fund at any point in time is not included in the financial statements. The Foundation will also record the related investment activity on such contributions. Contributions to the Society by the Foundation will be recorded by the Society as a contribution when received by the Society. The value of this fund was \$150,590 and \$135,696 at June 30, 2017 and 2016, 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.

## **11. SUBSEQUENT EVENTS**

The Society has evaluated subsequent events through January 31, 2018 (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.

## **SUPPLEMENTAL SCHEDULES**



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

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2017**

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|                               | <u>Program<br/>Services</u> | <u>Fundraising</u>       | <u>Management<br/>and General</u> | <u>Total</u>               |
|-------------------------------|-----------------------------|--------------------------|-----------------------------------|----------------------------|
| Salaries and wages            | \$ 1,379,486                | \$ 109,732               | \$ 78,380                         | \$ 1,567,598               |
| Capital campaign              | -                           | 445,516                  | -                                 | 445,516                    |
| Office expenses               | 133,309                     | 102,500                  | 10,605                            | 246,414                    |
| Medical supplies              | 242,784                     | -                        | -                                 | 242,784                    |
| Employee benefits             | 129,912                     | 10,334                   | 7,381                             | 147,627                    |
| Payroll taxes                 | 102,447                     | 8,149                    | 5,821                             | 116,417                    |
| Occupancy                     | 96,879                      | 5,505                    | 7,706                             | 110,090                    |
| Vet services                  | 96,676                      | -                        | -                                 | 96,676                     |
| Events                        | -                           | 93,482                   | -                                 | 93,482                     |
| Other operating               | 81,918                      | 6,640                    | 4,626                             | 93,184                     |
| Depreciation and amortization | 90,821                      | -                        | -                                 | 90,821                     |
| Shelter supplies              | 50,800                      | -                        | -                                 | 50,800                     |
| Credit card and bank fees     | 17,153                      | 28,117                   | 1,364                             | 46,634                     |
| Other fees for services       | -                           | -                        | 41,754                            | 41,754                     |
| Insurance                     | 36,395                      | 1,953                    | 2,734                             | 41,082                     |
| Professional fees             | -                           | -                        | 20,450                            | 20,450                     |
| Training and development      | 20,310                      | -                        | -                                 | 20,310                     |
| Auto expense                  | 15,337                      | -                        | -                                 | 15,337                     |
| Boutique                      | 4,655                       | -                        | -                                 | 4,655                      |
| <b>TOTAL</b>                  | <b><u>\$ 2,498,882</u></b>  | <b><u>\$ 811,928</u></b> | <b><u>\$ 180,821</u></b>          | <b><u>\$ 3,491,631</u></b> |

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

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2016**

|                               | Program<br>Services | Fundraising       | Management<br>and General | Total               |
|-------------------------------|---------------------|-------------------|---------------------------|---------------------|
| Salaries and wages            | \$ 1,260,444        | \$ 121,488        | \$ 136,675                | \$ 1,518,607        |
| Office expenses               | 123,221             | 113,986           | 13,361                    | 250,568             |
| Medical supplies              | 239,990             | -                 | -                         | 239,990             |
| Employee benefits             | 121,130             | 11,675            | 13,135                    | 145,940             |
| Payroll taxes                 | 97,437              | 9,392             | 10,565                    | 117,394             |
| Occupancy                     | 85,497              | 8,240             | 9,271                     | 103,008             |
| Events                        | -                   | 87,208            | -                         | 87,208              |
| Other operating               | 112,453             | 28,973            | 10,667                    | 152,093             |
| Depreciation and amortization | 75,694              | -                 | -                         | 75,694              |
| Credit card and bank fees     | 13,724              | 27,997            | 1,488                     | 43,209              |
| Other fees for services       | -                   | -                 | 12,884                    | 12,884              |
| Insurance                     | 36,127              | 3,338             | 3,756                     | 43,221              |
| Vet services                  | 84,194              | -                 | -                         | 84,194              |
| Shelter supplies              | 42,893              | -                 | -                         | 42,893              |
| Training and development      | 20,933              | -                 | -                         | 20,933              |
| Professional fees             | -                   | -                 | 22,379                    | 22,379              |
| Auto expense                  | 10,676              | -                 | -                         | 10,676              |
| Boutique                      | 3,976               | -                 | -                         | 3,976               |
| <b>TOTAL</b>                  | <b>\$ 2,328,389</b> | <b>\$ 412,297</b> | <b>\$ 234,181</b>         | <b>\$ 2,974,867</b> |