

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

**Financial Statements
as of and for the Years Ended
June 30, 2022 and 2021 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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Society as of June 30, 2022 and 2021, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Society's ability to continue as a going concern for a reasonable period of time.

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

Maxwell Locke & Litter LLP

Austin, Texas
April 19, 2023

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

Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,470,835	\$ 1,203,738
Investments	1,586,075	1,677,085
Contributions receivable, net	1,433,373	637,862
Accounts receivable	85,946	27,520
Real estate held for sale	-	292,953
Prepaid expenses and other assets	50,178	88,678
Inventory	46,036	64,582
Cash restricted to investment in building construction	1,138,370	694,557
Property and equipment, net	<u>9,367,555</u>	<u>9,440,321</u>
Total assets	<u>\$ 15,178,368</u>	<u>\$ 14,127,296</u>
Liabilities And Net Assets		
Liabilities:		
Accounts payable	\$ 144,723	\$ 144,516
Accrued liabilities	116,146	127,039
Deferred liability	49,074	63,074
Deferred PPP grant revenue (Note 11)	430,936	891,423
Capital lease obligations	38,171	55,804
Note payable	<u>1,503,185</u>	<u>2,797,721</u>
Total liabilities	2,282,235	4,079,577
Net assets:		
Without donor restrictions	3,501,600	3,138,917
With donor restrictions	<u>9,394,533</u>	<u>6,908,802</u>
Total net assets	<u>12,896,133</u>	<u>10,047,719</u>
Total liabilities and net assets	<u>\$ 15,178,368</u>	<u>\$ 14,127,296</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, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenue and net assets released from restrictions:				
Contributions, net	\$ 2,425,263	2,642,450	5,067,713	3,744,860
Special events	813,076	-	813,076	499,439
Costs of direct benefits to donors	(219,423)	-	(219,423)	(31,710)
Program	644,268	-	644,268	412,255
Government grant revenue	460,487	-	460,487	235,130
Donated goods and services	299,189	-	299,189	258,321
Investment income, net	13,214	-	13,214	64,929
Other income	86,000	-	86,000	85,334
Net assets released from restrictions	156,719	(156,719)	-	-
 Total revenues and net assets released from restrictions	 4,678,793	 2,485,731	 7,164,524	 5,268,558
Expenses:				
Program services	3,244,671	-	3,244,671	2,900,529
Fundraising	878,438	-	878,438	934,623
Management and general	193,001	-	193,001	238,268
 Total expenses	 4,316,110	 -	 4,316,110	 4,073,420
 Change in net assets	 362,683	 2,485,731	 2,848,414	 1,195,138
Net assets, beginning of year	3,138,917	6,908,802	10,047,719	8,852,581
Net assets, end of year	\$ 3,501,600	9,394,533	12,896,133	10,047,719

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, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and net assets released from restrictions:			
Contributions, net	\$ 2,985,932	758,928	3,744,860
Special events	499,439	-	499,439
Costs of direct benefits to donors Program	(31,710)	-	(31,710)
Government grant revenue	412,255	-	412,255
Donated goods and services	235,130	-	235,130
Investment income, net	258,321	-	258,321
Other income	64,929	-	64,929
Net assets released from restrictions	85,334	-	85,334
	<u>147,604</u>	<u>(147,604)</u>	<u>-</u>
Total revenues and net assets released from restrictions	4,657,234	611,324	5,268,558
Expenses:			
Program services	2,900,529	-	2,900,529
Fundraising	934,623	-	934,623
Management and general	238,268	-	238,268
Total expenses	<u>4,073,420</u>	<u>-</u>	<u>4,073,420</u>
Change in net assets	583,814	611,324	1,195,138
Net assets, beginning of year	<u>2,555,103</u>	<u>6,297,478</u>	<u>8,852,581</u>
Net assets, end of year	<u>\$ 3,138,917</u>	<u>6,908,802</u>	<u>10,047,719</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, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	2022				2021 Total
	Program Services	Fundraising	Management and General	2022 Total	
Salaries and wages	\$ 1,699,503	293,741	104,908	2,098,152	1,951,823
Office	113,790	131,856	7,024	252,670	197,547
Occupancy	193,336	33,416	11,934	238,686	215,226
Employee benefits	193,232	33,398	11,928	238,558	234,097
Medical supplies	238,485	-	-	238,485	153,883
Depreciation and amortization	219,171	-	-	219,171	240,071
Payroll taxes	127,555	22,047	7,874	157,476	144,004
Information technology support	19,952	61,060	1,232	82,244	83,080
Capital campaign	-	77,528	-	77,528	103,823
Credit card and bank fees	28,174	46,062	1,739	75,975	56,336
Insurance	60,507	10,457	3,735	74,699	76,409
Professional fees	16,297	2,817	25,706	44,820	83,748
Vet services	42,936	-	-	42,936	39,554
Training and development	32,689	-	-	32,689	15,612
Other fees for services	20,342	1,646	3,293	25,281	45,368
Shelter supplies	22,096	-	-	22,096	20,787
Automobile	14,252	-	-	14,252	10,661
Events	-	12,262	-	12,262	80,398
Boutique	635	-	-	635	3,068
Other operating	133,265	28,147	8,628	170,040	154,837
Total expenses before donated goods and services and cost of direct benefits to donors	3,176,217	754,437	188,001	4,118,655	3,910,332
Donated goods and services	68,454	124,001	5,000	197,455	163,088
Total expenses before cost of direct benefits to donors	3,244,671	878,438	193,001	4,316,110	4,073,420
Costs of direct benefits to donors	-	-	-	219,423	31,710
Total expenses	\$ 3,244,671	878,438	193,001	4,535,533	4,105,130

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, 2021

	Program Services	Fundraising	Management and General	Total
Salaries and wages	\$ 1,561,458	292,774	97,591	1,951,823
Office	78,050	114,619	4,878	197,547
Occupancy	172,181	32,284	10,761	215,226
Employee benefits	187,278	35,114	11,705	234,097
Medical supplies	153,883	-	-	153,883
Depreciation and amortization	240,071	-	-	240,071
Payroll taxes	115,203	21,601	7,200	144,004
Information technology support	18,945	62,951	1,184	83,080
Capital campaign	-	103,823	-	103,823
Credit card and bank fees	20,654	34,391	1,291	56,336
Insurance	61,277	11,349	3,783	76,409
Professional fees	-	-	83,748	83,748
Vet services	39,554	-	-	39,554
Training and development	15,612	-	-	15,612
Other fees for services	36,294	1,774	7,300	45,368
Shelter supplies	20,787	-	-	20,787
Automobile	10,661	-	-	10,661
Events	-	80,398	-	80,398
Boutique	3,068	-	-	3,068
Other operating	123,265	22,945	8,627	154,837
Total expenses before donated goods and services and cost of direct benefits to donors	2,858,241	814,023	238,068	3,910,332
Donated goods and services	42,288	120,600	200	163,088
Total expenses before cost of direct benefits to donors	2,900,529	934,623	238,268	4,073,420
Costs of direct benefits to donors	-	-	-	31,710
Total expenses	\$ 2,900,529	934,623	238,268	4,105,130

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, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 2,848,414	\$ 1,195,138
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Contributions restricted for investment in building construction	(1,494,536)	(1,486,941)
Depreciation and amortization	219,171	240,071
Change in discount to net present value for contributions receivable	38,701	33,248
Unrealized and realized gains on investments	(3,845)	(32,540)
Gain on sale of assets	1,024	-
Provision for uncollectible contributions	208	-
Contributed real estate held for sale	-	(292,953)
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	(834,420)	778,186
Accounts receivable	(58,426)	(27,520)
Prepaid expenses and other assets	38,500	(70,748)
Inventory	18,546	(23,403)
Accounts payable	207	49,168
Accrued liabilities	(10,893)	12,869
Deferred liability	(14,000)	63,074
Deferred PPP grant revenue	(460,487)	430,936
Net cash provided by operating activities	288,164	868,585
Cash Flows from Investing Activities:		
Sale of real estate held for sale	292,953	-
Purchases of investments	(5,145)	(829,217)
Sales of investments	100,000	20,569
Purchases of property and equipment	(147,429)	(207,978)
Net cash provided by (used in) investing activities	240,379	(1,016,626)
Cash Flows from Financing Activities:		
Principal payments on capital lease obligations	(17,633)	(17,017)
Contributions restricted for investment in building construction	1,494,536	1,486,941
Payments on note payable	(1,294,536)	(950,456)
Net cash provided by financing activities	182,367	519,468
Net change in cash, cash equivalents, and restricted cash	710,910	371,427
Cash, cash equivalents, and restricted cash, beginning of year	1,898,295	1,526,868
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 2,609,205</u>	<u>\$ 1,898,295</u>
Supplemental Disclosure-		
Interest paid in cash	<u>\$ 72,527</u>	<u>\$ 115,349</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, 2022 and 2021

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 are 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 does not have permanently donor-restricted net assets.

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, Cash Equivalents, and Restricted Cash - 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. The Society considers contributions receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned when the Society has an unconditional right to payment under the term of the customer’s contract. 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, 2022 or 2021, as management deemed all outstanding balances to be collectible.

Real Estate Held for Sale - Contributed real estate ready for sale is measured at its fair value less estimated costs to sell.

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, 2022 and 2021.

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
Surgical equipment	5-10 years
Automotive equipment	4-5 years
Capital lease assets	5 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. The annual gala was virtual during the year ended June 30, 2021 and there were no costs of direct benefit to donors. The annual gala was in person during the year ended June 30, 2022.

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 - As performance obligations in contracts with customers are satisfied in less than on year, the Society applies the practical expedient to expense costs to obtain a contract as incurred. 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, 2022 and 2021, volunteers donated 66,535 and 105,814 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. Donated goods and services are discussed in Note 10.

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, 2022 and 2021. 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 September 2020, the FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve transparency of contributed nonfinancial assets for nonprofit entities through enhancements to presentation and disclosure. The update requires that contributed nonfinancial assets are presented separately in the statements of activities. New disclosures are also required to disaggregate contributed nonfinancial assets by category type and other qualitative information about utilization, policies, and valuation techniques. The update is applied retrospectively and is effective for years beginning after June 15, 2021. The Society adopted ASU 2020-07 effective July 1, 2021. There was no material impact to the financial statements as a result of the adoption.

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:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,470,835	\$ 1,203,738
Investments	1,586,075	1,677,085
Accounts receivable	85,946	27,520
Contributions receivable, due in less than one year (unrelated to capital campaign)	<u>70,322</u>	<u>156,719</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 3,213,178</u>	<u>\$ 3,065,062</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, cash equivalents, and restricted cash, 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. Four donors comprised 82% of contributions receivable as of June 30, 2022. Three donors comprised 66% of contributions receivable as of June 30, 2021.

5. Investments

Investments reported at fair value consisted of the following as of June 30, 2022:

	Total Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Federal money market fund	\$ 1,464,645	-	1,464,645	-
Common stocks	121,430	121,430	-	-
Total investments	<u>\$ 1,586,075</u>	<u>121,430</u>	<u>1,464,645</u>	<u>-</u>

Investments reported at fair value consisted of the following as of June 30, 2021:

	Total Fair Value	Fair Value Measurements Using:		
		Level 1	Level 2	Level 3
Federal money market fund	\$ 1,564,609	-	1,564,609	-
Common stocks	112,476	112,476	-	-
Total investments	<u>\$ 1,677,085</u>	<u>112,476</u>	<u>1,564,609</u>	<u>-</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.

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:

	2022	2021
Amounts due in:		
Less than one year	\$ 680,404	\$ 387,792
One to five years	801,000	259,400
	1,481,404	647,192
Less discount to net present value	(48,031)	(9,330)
Total	<u>\$ 1,433,373</u>	<u>\$ 637,862</u>

The present value of estimated future cash flows on long-term contributions receivable was calculated using a discount rate of 3.20% as of June 30, 2022 and 2021.

Contributions receivable were as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 1,390,045	\$ 490,473
Other	91,359	156,719
Total contributions receivable	<u>\$ 1,481,404</u>	<u>\$ 647,192</u>

7. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 6,734,359	\$ 6,720,432
Computer equipment and software	286,702	365,297
Kennel equipment	214,650	215,201
Furniture and fixtures	168,703	159,722
Surgical equipment	114,873	114,873
Automotive equipment	108,478	108,478
Capital lease assets	88,181	88,181
	7,715,946	7,772,184
Less accumulated depreciation	(2,281,974)	(2,194,359)
Land	2,481,844	2,481,844
Construction-in-progress	1,451,739	1,380,652
Property and equipment, net	<u>\$ 9,367,555</u>	<u>\$ 9,440,321</u>

Capitalized interest related to the note payable for the purchase of building and land (Note 8) for the years ended June 30, 2022 and 2021 was \$180,048 and \$108,964, respectively, and is included in construction-in-progress.

8. Notes Payable

In June 2021, the Society repaid a note payable that matured in June 2021 with the proceeds from another note (the "Note") for \$2,797,721. The Note 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 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 Note agreement.

Future minimum payments under the note payable consisted of the following as of June 30, 2022:

2023	\$ 276,185
2024	152,712
2025	157,842
2026	<u>916,446</u>
Total note payable	<u>\$ 1,503,185</u>

9. Net Assets With Donor Restrictions

During 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:

	<u>2022</u>	<u>2021</u>
Capital campaign	\$ 9,359,533	\$ 6,752,083
Other time restrictions	<u>35,000</u>	<u>156,719</u>
Total	<u>\$ 9,394,533</u>	<u>\$ 6,908,802</u>

10. Donated Goods and Services

The Society received the following contributed nonfinancial assets, recorded as donated goods and services in the statements of activities, during the years ended June 30:

	<u>2022</u>	<u>2021</u>	<u>Usage in Programs or Activities</u>	<u>Monetized or Utilized</u>	<u>Fair value techniques and inputs</u>
Auction items	\$101,734	\$59,361	Fundraising	Monetized	Gross selling price received from auctions
Professional services	60,000	125,000	Fundraising and management and general	Utilized	Current rates for similar services
Shelter supplies	47,254	15,088	Program services	Utilized	Current rates for similar products
Vehicles	34,595	35,872	Fundraising	Monetized	MSRP value
Food and beverage	34,406	-	Fundraising	Utilized	Current rates for similar products
Veterinary services	<u>21,200</u>	<u>23,000</u>	Program services	Utilized	Current rates for similar services
	<u>\$299,189</u>	<u>\$258,321</u>			

There were no donor-imposed restrictions associated with the donated services and assets.

11. Government Grants

The Society has taken various actions to preserve its liquidity. In April 2020, the Society received a \$460,487 loan (the “2020 PPP 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 matured in 2 years. The loan was 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 were used for payroll costs and the Society met 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 Society received forgiveness in July 2021 for the 2020 PPP loan and recorded revenue totaling \$460,487 during the year ended June 30, 2022.

In March 2021, the Society received an additional PPP loan (the “2021 PPP loan”) for \$430,936 which has similar terms as described above for the 2020 PPP loan except the maturity on the 2021 PPP loan is five years. The performance obligations have not been met as of June 30, 2022 and is recorded in deferred PPP grant revenue in the statements of financial position. The Society received forgiveness in July 2022 for the 2021 PPP loan.

During the year ended June 30, 2021, the Society received \$235,130 through the Employee Retention Tax Credit (“ERTC”) offered under the CARES Act and administered by the SBA. The Society accounted for the ERTC as a conditional grant with one performance criteria of incurring qualifying expenses. The conditions were met during the year ended June 30, 2021 and therefore \$235,130 was recorded as government grant revenue in the statement of activities for the year then ended.

12. Commitments and Contingencies

Lease Commitments

The Society has also entered into noncancelable capital leases for copier equipment which expire during fiscal years 2024 and 2025. As of June 30, 2022 and 2021, the equipment had a cost value of \$88,181 and accumulated amortization of \$51,697 and \$34,062, respectively.

Future minimum lease payments under capital lease obligations were as follows as of June 30, 2022:

2023	\$	19,132
2024		19,132
2025		<u>1,312</u>
Total minimum lease payments		39,576
Less amounts representing interest		<u>(1,405)</u>
Capital lease obligations	\$	<u><u>38,171</u></u>

The Society leases office space to a third party under a non-cancellable operating lease agreement which expired during fiscal year 2022. The lease was renewed through January 1, 2023. Rental income under this agreement was approximately \$86,000 during the years ended June 30, 2022 and 2021 and was included in other income. Future minimum operating lease income is as follows as of June 30, 2022.

2023	\$ 90,000
2024	<u>48,000</u>
Total minimum lease income	<u>\$ 138,000</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. The Society is actively managing the business to maintain its cash flow and management believes that the Society has adequate liquidity.

13. Related Party Transactions

Certain members of the Board contributed \$35,885 and \$46,880 to the Society during the years ended June 30, 2022 and 2021, respectively. There were no outstanding contributions receivable for the year ended June 30, 2022. Contributions receivable of \$28,250 remained outstanding as of June 30, 2021.

14. 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, 2022 and 2021, 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.

15. 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 \$7,527 and \$8,316 at June 30, 2022 and 2021, 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 \$261,653 and \$289,077 at June 30, 2022 and 2021, 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, 2022 and 2021.

16. Subsequent Events

The Society has evaluated subsequent events through April 19, 2023, the date the financial statements were available to be issued.

In July 2022, the Society received forgiveness of the 2021 PPP loan for \$430,936, as described in Note 11.