

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

**AUDITED FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2008 AND 2007**

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

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**ERICKSON DEMEL & Co., P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

7800 N MOPAC, SUITE 105

AUSTIN, TEXAS 78759

Board of Directors  
The Humane Society of Austin and Travis County, Inc.  
Austin, Texas

**Independent Auditor's Report**

We have audited the accompanying statements of financial position of The Humane Society of Austin and Travis County, Inc. as of December 31, 2008 and 2007 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Humane Society of Austin and Travis County, Inc. at December 31, 2008 and 2007 and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Erickson Demel + Co., P.C.*

Certified Public Accountants

March 23, 2010

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

**STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

	<b>December 31,</b>	
	<b>2008</b>	<b>2007</b>
Cash and Cash Equivalents	\$ 992,191	\$ 1,047,217
Contributions Receivable	87,229	38,489
Marketable Securities	19,079	11,234
Prepaid Expenses	3,571	1,336
Other Investments	5,410	5,410
Inventory	15,766	—
Property and Equipment, Net	1,026,115	1,067,181
	<u>\$ 2,149,361</u>	<u>\$ 2,170,867</u>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts Payable and Accrued Expenses	\$ 84,249	\$ 80,324
Deferred Revenue	3,165	31,330
	<u>87,414</u>	<u>111,654</u>

**NET ASSETS**

Unrestricted	1,913,243	1,984,839
Temporarily Restricted	148,704	74,374
	<u>2,061,947</u>	<u>2,059,213</u>
	<u>\$ 2,149,361</u>	<u>\$ 2,170,867</u>

See notes to financial statements

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

**STATEMENTS OF ACTIVITIES**

	<b>Year Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>		
<b>Unrestricted Support</b>		
Contributions	\$ 1,898,767	\$ 1,861,892
Donated Goods and Services	130,303	149,514
Direct Benefit to Donors	(42,020)	(80,530)
Total Unrestricted Support, Net	<u>1,987,050</u>	<u>1,930,876</u>
<b>Other Unrestricted Revenues</b>		
Program Revenue	228,847	262,873
Investment Income	17,615	28,942
	<u>246,462</u>	<u>291,815</u>
<b>Amounts Released From Restrictions</b>	<u>38,489</u>	-
Total Unrestricted Support and Other Revenues	<u>2,272,001</u>	<u>2,222,691</u>
<b>Expenses</b>		
Program Services	1,865,362	1,425,242
Management and General	172,356	123,732
Fund Raising	305,879	287,236
Total Expenses	<u>2,343,597</u>	<u>1,836,210</u>
Change in Unrestricted Net Assets	<u>(71,596)</u>	<u>386,481</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	112,819	74,374
Amounts Released From Restrictions	(38,489)	-
Change in Temporarily Restricted Net Assets	<u>74,330</u>	<u>74,374</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,734</u>	<u>460,855</u>
Net Assets at Beginning of Year	<u>2,059,213</u>	<u>1,598,358</u>
Net Assets at End of Year	<u>\$ 2,061,947</u>	<u>\$ 2,059,213</u>

See notes to financial statements

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

**STATEMENTS OF CASH FLOWS**

	<b>Year Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 2,734	\$ 460,855
Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities:		
Contribution of Securities	(13,608)	-
Depreciation	66,217	50,233
(Gain) Loss on Investments, Net	5,763	(1,974)
Undistributed Earnings on Investments	-	(578)
Change in Operating Assets and Liabilities:		
Contributions Receivable	(48,740)	(38,489)
Prepaid Expenses	(2,235)	9,305
Inventory	(15,766)	-
Accounts Payable and Accrued Expenses	3,925	21,411
Deferred Revenue	(28,165)	26,675
Cash Provided by (Used In) Operating Activities	<u>(29,875)</u>	<u>527,438</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Distributions from Investments	-	881
Additions to Property and Equipment	(25,151)	(157,309)
Cash Used In Investing Activities	<u>(25,151)</u>	<u>(156,427)</u>
Net Change in Cash and Cash Equivalents	(55,026)	371,010
Cash and Cash Equivalents at Beginning of Period	<u>1,047,217</u>	<u>676,207</u>
Cash and Cash Equivalents at End of Period	<u>\$ 992,191</u>	<u>\$ 1,047,217</u>

See notes to financial statements

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

**NOTES TO FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2008 AND 2007**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Accounting**

The Humane Society of Austin and Travis County, Inc. (Society) is a non-profit community service agency. The Society provides dog and cat adoption services, animal behavior modification, and public information and humane education in Austin and Travis County. Except as explained in the following notes, assets, liabilities, revenues and expenses, are recognized on the accrual basis of accounting.

**Program Services**

The Society's major programs include adoption, owner surrender, neutering, and humane education. Approximately 3,000 unwanted dogs and cats are taken in by the Society each year. The animals are evaluated for health and temperament, and if adoptable, accepted and placed in the Pet Adoption Center. The Society's neutering program is designed to address the issue of pet overpopulation in Austin, Texas. The humane education program teaches children and adults about interaction between people and pets. Presentations and educational support materials include the services of the Society, responsible pet ownership, pet needs, safety for and around animals, and pet overpopulation.

**Support and Expenses**

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Donated Services and Goods**

During the years ended December 31, 2008 and 2007, a substantial number of volunteers donated 34,607 and 38,403 hours, respectively, to the Society's program services and fund raising campaigns. No amounts have been recognized in the statement of activities because the criteria for recognition of such volunteer efforts under SFAS No. 116 have not been satisfied. Donated professional services are reflected in the statement of activities at their fair value.

Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

**Cash Equivalents**

For purposes of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with a maturity date of three months or less to be cash equivalents.

**Investments**

Investments in equity securities with readily determinable fair values, and all investments in debt securities are measured at fair value in the statement of financial position (see Note C). Investment income or loss (including gains and losses on investments, interest and dividends) is included in the statement of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law. During the years ended December 31, 2008 and 2007 all investment income was unrestricted.

**Depreciation**

The Society follows the practice of capitalizing all major expenditures for buildings and equipment; the fair market value of donated assets is similarly capitalized. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets.

**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.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Advertising**

Advertising costs are expensed as incurred.

**Income Taxes**

The Society, whose revenues are derived from contributions and other fund raising activities, is a non-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

IN December 2008, the Financial Accounting Standards Board issued FASB Staff Bulletin (FSP) FIN 48-3, "*Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises.*" FASB FIN 48-3 permits an entity within its scope to defer the effective date of FASB Interpretation 48, Accounting for Uncertainty in Income Taxes, to its annual financial statements for fiscal years beginning after December 15, 2008. The Society has elected to defer application of the uncertain tax position provision of FIN 48 for the year ending December 31, 2008.

**Concentrations of Credit and Market Risk**

Financial instruments that potentially expose the Society to concentrations of credit and market risk consist primarily of cash equivalents. Cash equivalents are maintained at high-quality financial institutions and credit exposure is not limited to any one institution. The Society's balances at these financial institutions may at times exceed federally insured limits; however, the Society has not experienced any losses on its cash equivalents.

**Functional Expenses**

The costs of providing the various programs, fund raising and other activities have been summarized on a functional basis; accordingly, certain costs have been allocated among the programs and fund raising activities.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

**Fair Value Measurements**

GAAP requires disclosure of an estimate of fair value of certain financial instruments. The Society's significant financial instruments are cash, accounts receivable, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

**Fair Value of Financial Instruments**

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). The Plan adopted SFAS 157, effective January 1, 2008.

SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as 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 (i.e. an exit price). SFAS 157 includes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible to the Plan at the measurement date for identical assets and liabilities.

Level 2 – Inputs other than quoted market prices in active markets for identical assets and liabilities that are observable either directly or indirectly for substantially the full term of the asset or liability. Level 2 inputs include the following:

- Quoted prices for similar assets and liabilities in active markets
- Quoted prices for identical or similar assets and liabilities that are not active
- Observable inputs other than quoted prices that are used in the valuation of assets or liabilities (e.g. interest rate and yield curve quotes at commonly quoted intervals)
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements – Continued

Level 3 – Unobservable inputs for the assets or liabilities (i.e., supported by little or no market activity). Level 3 inputs include management’s own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Marketable Equity Securities:* These investments are valued at the quoted market prices.

*Limited Partnership Interests:* The carrying amount of the limited partnership holdings are reported at cost, which management believes approximates fair value.

The following table sets forth by level, within the fair value hierarchy, the Plan’s assets at fair value:

	Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Marketable Equity Securities	\$ 19,079	\$ –	\$ –	\$ 19,079
Limited Partnership Interests	–	–	5,410	5,410
	<u>\$ 19,079</u>	<u>\$ –</u>	<u>\$ 5,410</u>	<u>\$ 24,489</u>

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform to the presentation used in current year.

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**B. CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following:

	December 31,	
	2008	2007
Gross Contributions Receivable	\$ 87,229	\$ 38,489

In 2008 and 2007, all contributions receivable were expected to be collected in less than one year.

**C. MARKETABLE SECURITIES AND INVESTMENT INCOME**

Marketable equity securities consisted of the following:

	December 31,	
	2008	2007
At Cost:		
Common Stock	\$ 17,669	\$ 4,061
Publicly Traded Limited Partnership	1,021	1,021
	<u>\$ 18,690</u>	<u>\$ 5,082</u>
Fair Market Value:		
Common Stock	\$ 17,587	\$ 8,998
Publicly Traded Limited Partnership	1,492	2,236
	<u>\$ 19,079</u>	<u>\$ 11,234</u>

Investment income consisted of the following:

	Year Ended December 31,	
	2008	2007
Interest and Dividends	\$ 23,378	\$ 26,968
Net Unrealized Gain	363	2,553
Net Unrealized Loss	(6,126)	(579)
	<u>\$ 17,615</u>	<u>\$ 28,942</u>

THE HUMANE SOCIETY OF AUSTIN AND TRAVIS COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

**D. OTHER ASSETS**

The Society is the owner of income interests in three privately held limited partnerships. The Society expects future income and distributions from these partnerships to be minimal. The partnerships have been valued based on the expected discounted future cash flows.

**E. PROPERTY AND EQUIPMENT**

Property and equipment are recorded at cost when purchased and at fair market value when received as donations and consists of the following:

	December 31,	
	2008	2007
Land	\$ 156,424	\$ 156,424
Building and Improvements	1,157,195	1,145,480
Kennel Equipment	180,393	180,393
Surgical Equipment	2,839	1,080
Furniture and Fixtures	304,596	292,919
Automotive Equipment	70,550	70,550
	<u>1,871,997</u>	<u>1,846,846</u>
Less Accumulated Depreciation	845,882	779,665
	<u>\$ 1,026,115</u>	<u>\$ 1,067,181</u>

**F. RENTAL COMMITMENTS**

The Society currently leases various office equipment under month-to-month operating leases.

**G. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	December 31,	
	2008	2007
Capital Improvements	\$ 35,885	\$ 35,885
Timing Restrictions	87,229	38,489
Special Events	25,590	—
	<u>\$ 148,704</u>	<u>\$ 74,374</u>

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**H. FUNCTIONAL EXPENSES**

Functional expenses for the year ended December 31, 2008 consisted of the following:

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 826,911	\$ 115,140	\$ 104,672	\$ 1,046,723
Employee Benefits	54,463	7,584	6,894	68,941
Payroll Taxes, Etc.	60,452	8,417	7,652	76,521
<b>Total Salaries and Related Expenses</b>	<b>941,826</b>	<b>131,141</b>	<b>119,218</b>	<b>1,192,185</b>
Advertising	129,612	–	–	129,612
Auto and Travel	7,559	554	504	8,617
Bank and Credit Card	14,238	1,739	1,642	17,619
Dues and Subscriptions	2,495	347	316	3,158
Insurance – General	11,293	925	841	13,059
Insurance – Workmen’s Compensation	938	–	–	938
Kennel Supplies	42,401	–	–	42,401
Licenses	6,430	895	814	8,139
Miscellaneous	5,771	–	643	6,414
Office Supplies and Postage	40,242	4,878	3,112	48,232
Product Costs	15,839	–	–	15,839
Professional Services	208,714	11,821	74,701	295,236
Public Appeal and Fund Raising Events	–	–	77,388	77,388
Repairs and Maintenance	32,545	–	–	32,545
Taxes – Other	1,727	177	310	2,214
Telephone	20,324	2,830	2,573	25,727
Training Programs and Seminars	24,677	3,436	7,984	36,097
Travel	1,024	–	3,456	4,480
Utilities	50,007	6,329	5,755	62,091
Veterinary Services	29,266	–	–	29,266
Veterinary Supplies	108,596	–	–	108,596
Volunteer Supplies	1,744	–	–	1,744
<b>Total Expenses Before Depreciation and Donated Supplies</b>	<b>1,697,268</b>	<b>165,072</b>	<b>299,257</b>	<b>2,161,597</b>
Depreciation on Building and Equipment	52,311	7,284	6,622	66,217
Donated Supplies and Services	115,783	–	–	115,783
<b>Total</b>	<b>\$ 1,865,362</b>	<b>\$ 172,356</b>	<b>\$ 305,879</b>	<b>\$ 2,343,597</b>

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

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**H. FUNCTIONAL EXPENSES – Continued**

Functional expenses for the year ended December 31, 2007 consisted of the following:

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries	\$ 586,465	\$ 69,449	\$ 115,750	\$ 771,664
Employee Benefits	36,122	4,279	7,129	47,530
Payroll Taxes, Etc.	51,789	6,132	10,222	68,143
<b>Total Salaries and Related Expenses</b>	<b>674,376</b>	<b>79,860</b>	<b>133,101</b>	<b>887,337</b>
Advertising	101,175	9,148	15,248	125,571
Auto and Travel	3,504	101	169	3,774
Bank and Credit Card	12,156	1,523	9,344	23,023
Dues and Subscriptions	661	79	130	870
Insurance – General	9,294	1,101	1,834	12,229
Insurance – Workmen’s Compensation	2,401	190	317	2,908
Kennel Supplies	43,678	–	–	43,678
Licenses	5,657	670	1,117	7,444
Miscellaneous	1,815	–	1,065	2,880
Office Supplies and Postage	34,612	3,205	5,847	43,664
Professional Services	124,729	14,387	23,978	163,094
Public Appeal and Fund Raising Events	7,360	–	66,753	74,113
Repairs and Maintenance	60,442	–	–	60,442
Taxes – Other	1,550	183	306	2,039
Telephone	14,451	1,712	2,852	19,015
Training Programs and Seminars	18,291	1,236	2,061	21,588
Travel	1,751	207	6,234	8,192
Utilities	50,716	5,609	9,345	65,670
Veterinary Services	46,721	–	–	46,721
Veterinary Supplies	141,670	–	–	141,670
Volunteer Supplies	1,282	–	–	1,282
<b>Total Expenses Before Depreciation and Donated Supplies</b>	<b>683,916</b>	<b>39,351</b>	<b>146,600</b>	<b>869,867</b>
Depreciation on Building and Equipment	38,177	4,521	7,535	50,233
Donated Supplies and Services	28,773	–	–	28,773
	<b>\$ 1,425,242</b>	<b>\$ 123,732</b>	<b>\$ 287,236</b>	<b>\$ 1,836,210</b>