

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

**Financial Statements for the  
Year Ended June 30, 2012 and  
Independent Auditors' Report**





MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

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

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

Round Rock: 303 East Main Street  
Round Rock, TX 78664

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of The Humane Society of Austin and Travis County, Inc. (dba Austin Humane Society) (the "Society") as of June 30, 2012, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit 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 audit provides 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. as of June 30, 2012 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 is presented for purposes of additional analysis and is 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 audit 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.

*Maxwell Locke + Ritter LLP*

November 15, 2012

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

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

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

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2012**

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**ASSETS:**

Cash and cash equivalents	\$ 1,097,557
Investments	619,238
Contributions receivable	19,095
Accounts receivable	9,980
Prepaid expenses	17,345
Inventory	17,258
Property and equipment, net	<u>1,095,549</u>
<b>TOTAL ASSETS</b>	<b><u><u>\$ 2,876,022</u></u></b>

**LIABILITIES AND NET ASSETS:**

**LIABILITIES:**

Accounts payable	\$ 15,974
Accrued liabilities	<u>100,676</u>
Total liabilities	<u>116,650</u>

**NET ASSETS:**

Unrestricted	2,723,176
Temporarily restricted	<u>36,196</u>
Total net assets	<u>2,759,372</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 2,876,022</u></u></b>
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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, 2012**

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**CHANGES IN UNRESTRICTED NET ASSETS:**

REVENUES:

Contributions	\$ 1,868,875
Donated goods and services	205,347
Special event revenue	388,390
Less direct benefit to donor cost	(73,979)
Program revenue	299,338
Investment income	11,245
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Total unrestricted revenues	2,699,216
Net assets released from restrictions	94,276
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Total unrestricted revenues and net assets released from restrictions	2,793,492

EXPENSES:

Program services	2,211,083
Management and general	202,248
Fundraising	422,112
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Total expenses	2,835,443
Change in unrestricted net assets	(41,951)

**CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:**

Contributions	36,196
Net assets released from restrictions	(94,276)
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Change in temporarily restricted net assets	(58,080)

**CHANGE IN NET ASSETS** (100,031)

**NET ASSETS, beginning of period** 2,859,403

**NET ASSETS, end of period** \$ 2,759,372

See notes to financial statements.

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

**STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2012**

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**CASH FLOWS FROM OPERATING ACTIVITIES:**

Change in net assets	\$ (100,031)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	121,840
Unrealized gain on investments, net	(4,879)
Changes in assets and liabilities:	
Contributions receivable	54,400
Accounts receivable	(7,448)
Prepaid expenses	5,487
Inventory	(4,078)
Accounts payable	(7,064)
Accrued liabilities	15,965
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Net cash provided by operating activities	74,192

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Net sales of investments	24,335
Purchases of property and equipment	(74,642)
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Net cash used in investing activities	(50,307)

**NET CHANGE IN CASH AND CASH EQUIVALENTS**

23,885

**CASH AND CASH EQUIVALENTS, beginning of period**

1,073,672

**CASH AND CASH EQUIVALENTS, end of period**

\$ 1,097,557

See notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2012**

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**1. NATURE OF OPERATIONS**

Incorporated in 1953, The Humane Society of Austin & Travis County (dba Austin Humane Society) (the “Society”) is a non-profit 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 Accounting Standards Codification. Under the accrual basis of accounting, revenue is recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid. 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 - These types of net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily restricted net assets - These types of net assets are subject to donor-imposed stipulations, which limit their use by the Society to a specific purpose and/or the passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Permanently restricted net assets - These types of net assets are subject to donor-imposed stipulations, which require them to be maintained permanently by the Society. There were no permanently restricted net assets as of June 30, 2012.

**Use of Estimates** - The preparation of financial statements in accordance 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.

**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 market value based on quoted market prices. Any changes in market value are reported in the financial statements as net unrealized and realized gain or losses on investments.

**Contributions Receivable** - Unconditional promises to give are recognized as contribution revenue in the period received and as assets, decreases of liabilities or expenses depending on the form of the benefits received. 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. The Society expects contributions receivable at year end to be fully collected within the next fiscal year. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

**Accounts Receivable** - Accounts receivable are recorded at the value of the revenue earned. Delinquent account 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 expects accounts receivable at year end to be fully 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. Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment is recorded at cost. Depreciation expense is calculated using the straight-line method and the following estimated useful lives:

Building and improvements	7-40 years
Intangible assets 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

**Contributions** - Contributions received and unconditional promises to give are measured at their fair values and are reported as revenue. 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.

**Donated Goods and Services** - Donated goods and services are reflected in the statement 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 year ended June 30, 2012, volunteers donated 108,214 hours to the Society's program services and fundraising campaigns. These services were not recognized in the financial statements because the criteria were not satisfied. For the year ended June 30, 2012, the Society received the following donated goods and services:

Veterinary services	\$ 82,044
Shelter supplies	50,414
Hotel services	37,044
Donated vehicle	30,845
Professional services	<u>5,000</u>
Total donated goods and services	<u>\$ 205,347</u>

**Rental Commitments** - The Society currently leases office equipment under month-to-month operating leases.

**Income Tax Status** - The Society is a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except with respect to any unrelated business income.

**Functional Allocation of Expenses** - The expenses of the Society's various programs and supporting services have been allocated between program and supporting services based on estimates by management.

**Fair Value Measurements** - The Society measures and discloses fair value measurements in accordance with the authoritative literature. 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.

### 3. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Society to 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. Management believes no significant risk exists with respect to cash and cash equivalents. 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 statement of financial position. The Society does not maintain collateral for its receivables and does not believe significant risk existed at June 30, 2012.

### 4. INVESTMENTS

Investments reported at fair value at June 30, 2012 were as follows:

	Fair Value	Fair Value Measurements Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal money market fund	\$ 614,609	\$ -	\$ 614,609	\$ -
Limited partnerships	4,629	-	-	4,629
Total investments	<u>\$ 619,238</u>	<u>\$ -</u>	<u>\$ 614,609</u>	<u>\$ 4,629</u>

Level 3 investments have been valued using the income approach. The Federal money market funds included as level 2 investments have been valued using the net asset value approach, which is a market approach. The fair value of the Federal money market fund was estimated based on the net asset value per share (or its equivalent) of the investment company. 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. As of June 30, 2012, the fair value of the following investments was measured using net asset values:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Federal money market fund	<u>\$ 614,609</u>	<u>\$ -</u>	Daily	Daily

Investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were as follows:

Balance, June 30, 2011	\$ 24,085
Total gains or losses (realized/unrealized)	544
Sales	-
Purchases, issuance, and settlements	<u>(20,000)</u>
Balance, June 30, 2012	<u>\$ 4,629</u>

For the year ended June 30, 2012 investment income consisted of the following:

Interest and dividends	\$ 6,366
Net unrealized gain	<u>4,879</u>
	<u>\$ 11,245</u>

## 5. 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. The Fund’s assets are not recorded in the statement of financial position of the Society as the Foundation reserves the power to modify any condition or restriction on distributions from the Fund. In addition, the Fund assets are irrevocably held by the Foundation. The Society is the beneficiary of distributions from the Fund and the current spending policy of the Foundation allows for 5% of the Fund’s value to be made available for distribution. At June 30, 2012, the Fund had a market value of \$102,772.

## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2012:

Land	\$ 156,424
Building and improvements	1,251,124
Computer equipment and software	254,408
Kennel equipment	198,122
Furniture and fixtures	94,923
Automotive equipment	80,881
Surgical equipment	<u>10,274</u>
	2,046,156
Less accumulated depreciation	<u>(950,607)</u>
Property and equipment, net	<u>\$ 1,095,549</u>

## 7. TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012, temporarily restricted net assets were restricted for the following purposes:

Timing restrictions	\$ 15,762
Capital improvements	17,434
Other	<u>3,000</u>
Total temporarily restricted net assets	<u>\$ 36,196</u>

## 8. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors of the Society contributed \$44,280 to the Society during the year ended June 30, 2012.

## 9. SUBSEQUENT EVENTS

The Society has evaluated subsequent events through November 15, 2012 (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 SCHEDULE**

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

**SCHEDULE OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2012**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 1,157,417	121,671	161,949	1,441,037
Office expenses	80,126	8,423	114,680	203,229
Medical supplies	186,951	-	-	186,951
Vet supplies	130,455	-	-	130,455
Other operating	103,457	4,557	15,966	123,980
Depreciation	121,840	-	-	121,840
Employee benefits	97,294	10,228	13,614	121,136
Occupancy	90,593	9,523	12,676	112,792
Payroll taxes	85,561	8,994	11,972	106,527
Shelter supplies	82,350	-	-	82,350
Event expense	-	-	55,377	55,377
Credit card and bank fees	10,824	924	32,162	43,910
Insurance	26,555	2,792	3,716	33,063
Training and development	20,836	-	-	20,836
Professional fees	-	19,300	-	19,300
Other fees for services	-	15,836	-	15,836
Auto expense	13,938	-	-	13,938
Boutique	2,886	-	-	2,886
<b>TOTAL</b>	<b><u>\$ 2,211,083</u></b>	<b><u>202,248</u></b>	<b><u>422,112</u></b>	<b><u>2,835,443</u></b>