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

Financial Statements as of and for the Years Ended June 30, 2018 and 2017 and Independent Auditors' Report

MAXWELL & LOCKE RITTER

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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, 2018 and 2017, and 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.

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, 2018 and 2017, 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 audits were 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.

Maxwell Locke & Ritter LLP

Austin, Texas
February 7, 2019

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

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Cash and cash equivalents	$ 220,311	$ 896,145
Investments	694,048	674,674
Contributions receivable, net	839,145	221,680
Accounts receivable	23,898	33,422
Prepaid expenses and other assets	37,431	34,305
Inventory	21,197	16,954
Cash restricted to investment in building construction	619,199	-
Property and equipment, net	9,047,300	8,579,828
TOTAL ASSETS	$ 11,502,529	$ 10,457,008
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable	$ 68,734	$ 72,197
Accrued liabilities	149,315	144,338
Note payable	4,957,567	7,500,000
Total liabilities	5,175,616	7,716,535
NET ASSETS:		
Unrestricted	2,292,461	2,518,793
Temporarily restricted	4,034,452	221,680
Total net assets	6,326,913	2,740,473
TOTAL LIABILITIES AND NET ASSETS	$ 11,502,529	$ 10,457,008

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, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions, net	$ 1,899,313	4,029,131	5,928,444
Special events	539,544	-	539,544
Cost of direct benefits to donors	(94,706)	-	(94,706)
Program	504,162	-	504,162
Donated goods and services	114,223	-	114,223
Investment income, net	13,014	-	13,014
Other income	152,850	-	152,850
Net assets released from restrictions	216,359	(216,359)	-
Total revenues and net assets released from restrictions	3,344,759	3,812,772	7,157,531
EXPENSES:			
Program services	2,501,692	-	2,501,692
Fundraising	907,472	-	907,472
Management and general	161,927	-	161,927
Total expenses	3,571,091	-	3,571,091
CHANGE IN NET ASSETS	(226,332)	3,812,772	3,586,440
NET ASSETS, beginning of year	2,518,793	221,680	2,740,473
NET ASSETS, end of year	$ 2,292,461	4,034,452	6,326,913

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, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUES AND NET ASSETS RELEASED FROM RESTRICTIONS:			
Contributions	$ 1,827,196	221,680	2,048,876
Special events	479,613	-	479,613
Cost of direct benefits to donors	(89,365)	-	(89,365)
Program	553,323	-	553,323
Donated goods and services	120,301	-	120,301
Investment income, net	9,651	-	9,651
Other income	33,642	-	33,642
Net assets released from restrictions	139,298	(139,298)	-
Total revenues and net assets released from restrictions	3,073,659	82,382	3,156,041
EXPENSES:			
Program services	2,498,882	-	2,498,882
Fundraising	811,928	-	811,928
Management and general	180,821	-	180,821
Total expenses	3,491,631	-	3,491,631
CHANGE IN NET ASSETS	(328,607)	82,382	(246,225)
NET ASSETS, beginning of year	2,847,400	139,298	2,986,698
NET ASSETS, end of year	$ 2,518,793	221,680	2,740,473

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, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,586,440	$ (246,225)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for property and equipment	(3,189,936)	-
Depreciation	88,522	90,821
Change in discount to net present value for contributions receivable	67,824	-
Unrealized and realized gains on investments	(3,525)	(6,802)
Donated investments	(19,137)	-
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	(685,289)	(101,860)
Accounts receivable	9,524	17,308
Prepaid expenses and other assets	(3,126)	(9,310)
Inventory	(4,243)	1,199
Accounts payable	(3,463)	58,811
Accrued liabilities	4,977	34,556
Net cash used in operating activities	(151,432)	(161,502)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(555,994)	(7,765,143)
Net sales of investments	3,288	-
Net cash used in investing activities	(552,706)	(7,765,143)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions restricted for property and equipment	3,189,936	-
Payments on note payable	(2,542,433)	-
Proceeds from borrowings under a note payable	-	7,500,000
Net cash provided by financing activities	647,503	7,500,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	(56,635)	(426,645)
CASH AND CASH EQUIVALENTS, beginning of year	896,145	1,322,790
CASH AND CASH EQUIVALENTS, end of year	$ 839,510	$ 896,145
SUPPLEMENTAL DISCLOSURE-		
Interest paid in cash	$ 328,782	$ -

See notes to financial statements.

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").

Net Asset Classification - 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. 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 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, 2018 and 2017.

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.

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

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.

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.

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. No allowance for uncollectible contributions receivable has been recorded, as historically the Society has not experienced significant uncollectible amounts.

Accounts Receivable - Accounts receivable are recorded at the value of the revenue earned. Delinquent accounts receivable invoices do not accrue interest. The Society continually monitors each customer's credit worthiness individually and recognizes allowances for estimated bad debts on customer accounts that are no longer estimated to be collectible. The Society adjusts any allowance for subsequent collections and final determination that an account receivable is no longer collectible. The Society had no allowance for uncollectible receivables as of June 30, 2018 or 2017, as management deemed all outstanding balances to be collectible.

Inventory - Inventory, which consists primarily of medical supplies, is stated at the lower of cost or net realizable value, as determined using the first-in, first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of disposal. Management reviews inventory for slow-moving items and records a reserve as necessary. No reserve was considered necessary as of June 30, 2018 and 2017.

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. Depreciation expense is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	7-40 years
Computer equipment and software	3-5 years
Kennel equipment	5-7 years
Furniture and fixtures	5-10 years
Automotive equipment	4-5 years
Surgical equipment	5-10 years

Impairment of Long-Lived Assets - Long-lived assets 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.

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

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

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 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, 2018 and 2017, volunteers donated 142,123 and 123,975 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. During the years ended June 30, 2018 and 2017, the Society received the following donated goods and services:

	2018	2017
Veterinary services	$ 50,300	$ 60,500
Shelter supplies	30,704	23,959
Vehicle	28,219	30,842
Professional services	5,000	5,000
Total donated goods and services	$ 114,223	$ 120,301

Functional Allocation of Expenses - The costs of providing 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 between program and supporting services 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, 2018 and 2017. 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 and changes in 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 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. Four donors comprised 85% of contributions receivable as of June 30, 2018. One donor comprised 85% of contributions receivable as of June 30, 2017. One donor comprised 41% of revenue during the year ended June 30, 2018.

4. INVESTMENTS

Investments consisted of the following as of June 30, 2018:

	Fair Value	Fair Value Measurements Using: Level 1	Level 2	Level 3
Federal money market fund	$ 614,609	$ -	$ 614,609	$ -
Common stocks	74,810	74,810	-	-
Limited partnerships	4,629	-	-	4,629
Total investments	$ 694,048	$ 74,810	$ 614,609	$ 4,629

Investments consisted of the following as of 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	$ 674,674	$ 55,436	$ 614,609	$ 4,629

Level 1 investments consist of common stocks and have been valued using the market approach. Level 2 investments consist of a federal money market fund valued using the market approach. The federal money market fund is closed to new investors and is not actively traded. Level 3 investments have been valued using the income approach.

Net investment income was comprised of the following during the years ended June 30, 2018 and 2017:

	2018	2017
Net unrealized and realized gains	$ 3,525	$ 6,802
Dividends and interest	9,489	2,849
Investment income, net	$ 13,014	$ 9,651

5. CONTRIBUTIONS RECEIVABLE

Contributions receivable include unconditional promises to give to the capital campaign (Note 8) and other contributions receivable. Contributions receivable were comprised of the following as of June 30:

	2018	2017
Amounts due in:		
Less than one year	$ 217,019	$ 221,680
One to five years	689,950	-
	906,969	221,680
Less discount to net present value	(67,824)	-
Total	$ 839,145	$ 221,680

The present value of estimated future cash flows was calculated using a discount rate of 5.00% as of June 30, 2018.

Contributions receivable were as follows as of June 30:

	2018	2017
Capital campaign	$ 788,402	$ -
Other	118,567	221,680
Total contributions receivable	$ 906,969	$ 221,680

6. PROPERTY AND EQUIPMENT

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

	2018	2017
Building and improvements	$ 6,609,372	$ 6,609,372
Computer equipment and software	323,110	318,874
Kennel equipment	213,976	213,976
Furniture and fixtures	149,480	132,195
Automotive equipment	108,261	108,261
Surgical equipment	30,776	23,129
	7,434,975	7,405,807
Less accumulated depreciation	(1,551,433)	(1,462,911)
Land	2,481,844	2,481,844
Construction-in-progress	681,914	155,088
Property and equipment, net	$ 9,047,300	$ 8,579,828

7. 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 (5.00% and 4.25% at June 30, 2018 and 2017, respectively), with the outstanding principal due at maturity on June 13, 2019. The note agreement also requires that 80% of capital campaign receipts. The note is collateralized by a security interest in the Society's investment accounts, rights to future capital campaign pledges and payments, all receivables, grants, and contributions and the land and the building. The note payable is guaranteed by an individual.

8. TEMPORARILY RESTRICTED NET ASSETS

During the year ended June 30, 2018, the Society began a capital campaign to fund the purchase of land and renovation of a building to serve as the Society's future headquarters that will include a new administration building, adoption center, dog run, and kennels on multiple levels.

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

	2018	2017
Capital campaign	$ 3,910,564	$ -
Other time restrictions	114,888	204,180
Feline surgeries	-	12,500
Shelter manager salary	9,000	5,000
Total temporarily restricted net assets	$ 4,034,452	$ 221,680

9. LEASE COMMITMENTS

The Society leases office space and other office equipment under operating leases which expire during fiscal year 2019. Rent expense under these agreements was $31,900 and $29,300 during the years ended June 30, 2018 and 2017, respectively.

Future required minimum lease payments are $27,000 for the year ending June 30, 2019.

10. RELATED PARTY TRANSACTIONS

Certain members of the Board of Directors (the "Board") of the Society contributed $55,410 and $42,720 to the Society during the years ended June 30, 2018 and 2017, respectively. Contributions receivable of $25,000 remained outstanding as of June 30, 2018.

11. CHARITABLE TRUSTS

The Society has received communications indicating it has been named as a beneficiary in two charitable trusts that are maintained by third-party trustees. As of June 30, 2018 and 2017, the value of these conditional promises to give were inestimable, 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.

12. 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 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 value of the fund was $5,428 at June 30, 2018 and 2017, 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 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 $209,312 and $150,590 at June 30, 2018 and 2017, 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.

13. SUBSEQUENT EVENTS

The Society has evaluated subsequent events through February 7, 2019 (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, 2018

	Program Services	Fundraising	Management and General	Total
Salaries and wages	$ 1,358,859	$ 124,953	$ 78,095	$ 1,561,907
Capital campaign	-	588,022	-	588,022
Office expenses	134,340	98,198	7,721	240,259
Medical supplies	226,042	-	-	226,042
Employee benefits	143,690	13,213	8,258	165,161
Occupancy	107,643	9,898	6,187	123,728
Payroll taxes	99,800	9,177	5,736	114,713
Depreciation	88,522	-	-	88,522
Vet services	75,914	-	-	75,914
Shelter supplies	68,354	-	-	68,354
Credit card and bank fees	19,586	36,349	1,126	57,061
Insurance	36,222	3,013	1,883	41,118
Other fees for services	9,881	909	26,352	37,142
Training and development	26,982	-	-	26,982
Professional fees	-	-	23,100	23,100
Events	-	17,140	-	17,140
Auto expense	13,613	-	-	13,613
Boutique	1,984	-	-	1,984
Other operating	90,260	6,600	3,469	100,329
Total expenses before cost of direct benefits to donors	2,501,692	907,472	161,927	3,571,091
Costs of direct benefits to donors	-	-	-	94,706
Total expenses	$ 2,501,692	$ 907,472	$ 161,927	$ 3,665,797

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

SCHEDULE OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services	Fundraising	Management and General	Total
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
Occupancy	96,879	5,505	7,706	110,090
Payroll taxes	102,447	8,149	5,821	116,417
Depreciation	90,821	-	-	90,821
Vet services	96,676	-	-	96,676
Shelter supplies	50,800	-	-	50,800
Credit card and bank fees	17,153	28,117	1,364	46,634
Insurance	36,395	1,953	2,734	41,082
Other fees for services	-	-	41,754	41,754
Training and development	20,310	-	-	20,310
Professional fees	-	-	20,450	20,450
Auto expense	15,337	-	-	15,337
Boutique	4,655	-	-	4,655
Events	-	4,117	-	4,117
Other operating	81,918	6,640	4,626	93,184
Total expenses before cost of direct benefits to donors	2,498,882	811,928	180,821	3,491,631
Costs of direct benefits to donors	-	-	-	89,365
Total expenses	$ 2,498,882	$ 811,928	$ 180,821	$ 3,580,996