

**HUMANE SOCIETY OF SAN ANTONIO**  
**dba**  
**SAN ANTONIO HUMANE SOCIETY**

**Audited Financial Statements**

**December 31, 2015**

**AKIN, DOHERTY, KLEIN & FEUGE, P. C.**  
*Certified Public Accountants*

**SAN ANTONIO HUMANE SOCIETY**  
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**December 31, 2015**

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**INDEPENDENT AUDITOR'S REPORT**

To The Board of Directors  
San Antonio Humane Society  
San Antonio, Texas

***Report on the Financial Statements***

We have audited the accompanying financial statements of Humane Society of San Antonio, dba San Antonio Humane Society, which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of activities, functional expenses, 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 U. S. generally accepted accounting principles; 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U. S. generally accepted auditing standards. 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 auditor's 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.

**MAIN OFFICE**

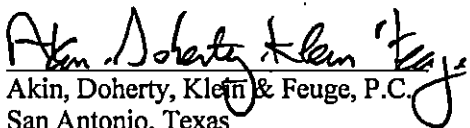
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*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Antonio Humane Society as of December 31, 2015 and 2014, and the results of its operations, functional expenses, and cash flows for the years then ended in accordance with U. S. generally accepted accounting principles.



Akin, Doherty, Klein & Feuge, P.C.  
San Antonio, Texas  
March 11, 2016

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
Operating Assets:		
Cash and cash equivalents	\$ 272,403	\$ 470,913
Pledges receivable, net	237,198	350,642
Other receivables	43,030	28,029
Inventory	12,346	8,481
Prepaid expenses and other current assets	19,423	21,131
Property and equipment, net	4,205,410	4,195,514
Land held for sale	10,250	10,250
Total operating assets	<u>4,800,060</u>	<u>5,084,960</u>
Investments, Charitable Gifts and Trusts:		
Investments	6,363,223	6,665,967
Investments, endowment	890,970	965,713
Beneficial interest in trusts	1,025,296	1,109,712
Assets held in charitable gift annuities	54,992	67,808
Total investments, charitable gifts and trusts	<u>8,334,481</u>	<u>8,809,200</u>
<b>Total Assets</b>	<u><u>\$ 13,134,541</u></u>	<u><u>\$ 13,894,160</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Financial Position**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 144,108	\$ 136,036
Deferred revenue	30,950	47,800
Liabilities under charitable gift annuities	52,963	56,340
Total current liabilities	<u>228,021</u>	<u>240,176</u>
Net Assets:		
Unrestricted	10,740,042	11,155,931
Temporarily restricted	2,166,478	2,498,053
Total net assets	<u>12,906,520</u>	<u>13,653,984</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 13,134,541</u></u>	<u><u>\$ 13,894,160</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Activities**  
**Year Ended December 31, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Program fees	\$ 786,532	\$ -	\$ 786,532
Bequests/special donations	695,863	-	695,863
Memberships/pledges/contributions	1,284,232	147,370	1,431,602
Other income	9,325	-	9,325
Special events, net of expenses of \$24,612	140,351	-	140,351
Total support and revenues	<u>2,916,303</u>	<u>147,370</u>	<u>3,063,673</u>
<b>Expenses</b>			
Program	2,752,823	-	2,752,823
General and administrative	382,566	-	382,566
Fundraising	377,426	-	377,426
Total expenses	<u>3,512,815</u>	<u>-</u>	<u>3,512,815</u>
<b>Operating Income (Loss)</b>	(596,512)	147,370	(449,142)
<b>Investment Income</b>			
Interest and dividends, net of fees	101,329	18,312	119,641
Realized and unrealized gains (losses)	(270,587)	(55,837)	(326,424)
Changes in value of split interest agreements	-	(7,123)	(7,123)
Changes in value of beneficial interests in trusts	-	(84,416)	(84,416)
Investment income (loss), net	<u>(169,258)</u>	<u>(129,064)</u>	<u>(298,322)</u>
<b>Change in Net Assets</b>	(765,770)	18,306	(747,464)
Net assets released from restrictions	349,881	(349,881)	-
Net assets at beginning of year	<u>11,155,931</u>	<u>2,498,053</u>	<u>13,653,984</u>
<b>Net Assets at End of Year</b>	<u>\$ 10,740,042</u>	<u>\$ 2,166,478</u>	<u>\$ 12,906,520</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Activities**  
**Year Ended December 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
<b>Support and Revenues</b>			
Program fees	\$ 713,257	\$ -	\$ 713,257
Bequests/special donations	1,131,159	-	1,131,159
Memberships/pledges/contributions	1,238,935	125,047	1,363,982
Other income	9,313	-	9,313
Special events, net of expenses of \$8,728	37,744	-	37,744
Total support and revenues	<u>3,130,408</u>	<u>125,047</u>	<u>3,255,455</u>
<b>Expenses</b>			
Program	2,550,094	-	2,550,094
General and administrative	379,024	-	379,024
Fundraising	333,986	-	333,986
Total expenses	<u>3,263,104</u>	<u>-</u>	<u>3,263,104</u>
<b>Operating Income (Loss)</b>	(132,696)	125,047	(7,649)
<b>Investment Income</b>			
Interest and dividends, net of fees	116,245	22,460	138,705
Realized and unrealized gains	74,977	9,945	84,922
Changes in value of split interest agreements	-	(1,707)	(1,707)
Changes in value of beneficial interests in trusts	-	356	356
Investment income, net	<u>191,222</u>	<u>31,054</u>	<u>222,276</u>
<b>Change in Net Assets</b>	58,526	156,101	214,627
Net assets released from restrictions	229,925	(229,925)	-
Net assets at beginning of year	<u>10,867,480</u>	<u>2,571,877</u>	<u>13,439,357</u>
<b>Net Assets at End of Year</b>	<u>\$ 11,155,931</u>	<u>\$ 2,498,053</u>	<u>\$ 13,653,984</u>

*See notes to audited financial statements.*



**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2015**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 355,466	\$ -	\$ -	\$ 355,466
Depreciation	208,474	-	-	208,474
Education	3,916	-	-	3,916
Printing, postage and newsletter	104,251	-	122,952	227,203
Occupancy and maintenance	246,332	344	10,358	257,034
Other expenses	132,561	22,463	107,179	262,203
Professional	3,228	17,500	-	20,728
Salaries, wages and benefits	1,680,218	341,082	135,627	2,156,927
Travel, meetings, and other	18,377	1,177	1,310	20,864
	<u>\$ 2,752,823</u>	<u>\$ 382,566</u>	<u>\$ 377,426</u>	<u>\$ 3,512,815</u>
<b>Total Functional Expenses</b>	<u>\$ 2,752,823</u>	<u>\$ 382,566</u>	<u>\$ 377,426</u>	<u>\$ 3,512,815</u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statement of Functional Expenses**  
**Year Ended December 31, 2014**

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 321,269	\$ -	\$ -	\$ 321,269
Administrative	-	22,030	-	22,030
Bad debt	-	32,245	-	32,245
Depreciation	196,860	-	-	196,860
Education	4,573	-	-	4,573
Printing, postage and newsletter	-	-	333,986	333,986
Occupancy and maintenance	190,932	565	-	191,497
Other expenses	190,524	-	-	190,524
Professional	-	21,600	-	21,600
Salaries, wages and benefits	1,645,936	302,079	-	1,948,015
Travel, meetings, and other	-	505	-	505
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Functional Expenses</b>	<u><u>\$ 2,550,094</u></u>	<u><u>\$ 379,024</u></u>	<u><u>\$ 333,986</u></u>	<u><u>\$ 3,263,104</u></u>

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Statements of Cash Flows**  
**Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>Operating Activities</b>		
Change in net assets	\$ (747,464)	\$ 214,627
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Realized and unrealized (gain) loss on investment securities	326,424	(84,922)
Depreciation	208,476	196,860
Change in operating assets and liabilities:		
Pledges receivable	113,444	56,721
Other receivables	(15,001)	9,650
Inventory	(3,865)	(4,141)
Prepaid expenses and other current assets	1,708	(11,524)
Accounts payable and accrued expenses	8,072	29,209
Deferred revenue	(16,850)	47,800
Net cash provided (used) by operating activities	<u>(125,056)</u>	<u>454,280</u>
<b>Investing Activities</b>		
Purchase of investments, net	63,879	(191,253)
Change in charitable gift annuities	(3,377)	(3,543)
Change in beneficial interests in trusts	84,416	(357)
Purchases of property and equipment	(218,372)	(32,401)
Net cash provided (used) by investing activities	<u>(73,454)</u>	<u>(227,554)</u>
Net change in cash and cash equivalents	(198,510)	226,726
Cash and cash equivalents at beginning of year	<u>470,913</u>	<u>244,187</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$ 272,403</u></u>	<u><u>\$ 470,913</u></u>
<b>Supplemental Disclosures</b>		
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

*See notes to audited financial statements.*

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Nature of Activities:* The Humane Society of San Antonio, dba San Antonio Humane Society, (the Society) is a not-for-profit corporation whose purpose is to provide effective means for the prevention of cruelty to animals in San Antonio, Bexar County and the surrounding area. The Society receives unwanted or abandoned cats and dogs and places them in adoptive or foster homes. The Society provides temporary shelter until suitable homes are found. Revenue to support the Society's programs is primarily provided by contributions and grants from individuals, corporations and foundations located in Bexar County and the surrounding areas.

*Basis of Presentation:* The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Unrestricted Net Assets:* Net assets that are not subject to donor-imposed stipulations.

*Temporarily Restricted Net Assets:* Net assets subject to donor-imposed stipulations that are more restrictive than the Society's mission and purpose that will be met by its actions and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets:* Net assets subject to donor-imposed stipulations that the assets be maintained permanently by the Society. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes. There are no permanently restricted net assets at December 31, 2015 and 2014.

*Donations:* Gifts are reported as restricted support if they are received with donor stipulations that limit their use. Gifts of equipment and other similar assets are reported at estimated fair value as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support.

*Donated Services and Materials:* The Society receives donated services and materials from a variety of sources. These services and materials are reported as contribution revenues and animal care and program awareness expenses in the Statement of Activities and totaled approximately \$39,000 in 2015 and \$26,000 in 2014. The Society also receives substantial assistance from volunteers who contribute their personal time to assist in a number of areas. See Note H.

*Joint Costs:* The cost of the Society's newsletter and related mailings are allocated between program and fundraising costs as reflected in the Statement of Functional Expenses.

*Special Events:* Costs associated with Special Events are netted against the related revenues.

*Advertising:* Advertising and marketing costs are expensed as incurred and totaled approximately \$43,000 in 2015 and \$28,000 in 2014.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Cash and Cash Equivalents:* Cash and cash equivalents consist of cash on hand, demand deposits held by financial institutions and any equivalent securities with a maturity of three months or less.

*Pledges Receivable:* Legally enforceable pledges and contributions, less an allowance for uncollectible amounts, are recorded as receivables in the year made unless the pledge or contribution is dependent upon the occurrence of a specified future and uncertain event to bind the promisor. Conditional pledges and contributions are recognized when the conditions upon which they depend are substantially met or when the possibility that the condition will not be met is remote.

*Inventories:* Inventory is valued at the lower of cost or market determined on a specific identification basis.

*Investments:* Investments in mutual funds are reported at fair market value determined by quoted market price. Interest and dividends are reported net of fees of approximately \$37,000 in 2015 and 2014. Gains and losses (realized and unrealized) are reported in the accompanying statement of activities.

*Investments, Endowment:* Endowments investments are donor restricted and are classified as temporarily or permanently restricted (depending on the nature of the restriction), and are reported at fair value determined by quoted market price.

*Assets Held in Charitable Gift Annuities:* The Society has established six charitable gift annuities. Under the terms of these agreements, the Society makes distributions to the donors throughout the donor's life. Upon the death of the donors, assets remaining in the charitable gift annuities will be transferred to the Society. The Society records the assets held in charitable gift annuities at their fair market values based on quoted market prices of the underlying investments. A liability is recorded based on the estimated discounted value of the amounts due the annuitant based on the Internal Revenue Service annuity and mortality tables.

*Beneficial Interest in Trusts:* The Society holds a beneficial interest in four trusts and records its estimated fair market value of the trusts based on its proportionate share of each trust.

*Property and Equipment:* Property and equipment is stated at historical cost or estimated fair value at date of donation. Expenditures for betterments that materially extend the useful life of an asset are capitalized. Depreciation is recorded using the straight-line method over the estimated useful lives of the related asset (generally three to seven years for furniture, equipment and vehicles, and 15 to 30 years for buildings and improvements).

*Income Taxes:* The Society is a not-for-profit organization exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code, and is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The Society is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its federal tax returns for the last four years remain subject to examination.

*Employee Benefit Plan:* The Society has a Simple IRA plan which covers substantially all employees. Employees may contribute a percentage of their annual compensation as allowed by the federal tax code. The Society matches up to 3% of employees' contributions. The Society matched approximately \$14,000 in 2015 and \$12,000 in 2014 to the Plan.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

*Concentrations of Credit Risk:* Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, investments, and pledges receivable. The Society places its cash and investments in certificates of deposit, Government Securities and high-rated corporate equities, and limits the amount of credit exposure, although it may from time to time have investments in excess of that insured by the FDIC and SIPC. The Society periodically assesses the financial condition of the institutions holding the investments and believes that the risk of loss due to a failure of the institution is minimal. The Society also has concentrations of credit risk with respect to pledges receivable due to it soliciting primarily in the South Texas area.

*Use of Estimates:* The preparation of financial statements in conformity with U. S. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent Events:* Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

*New Accounting Pronouncements:* In May 2014, the Financial Accounting Standards Board (FASB) issued a new accounting pronouncement regarding revenue recognition effective for reporting periods beginning after December 15, 2018. Management does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2019. Generally, leases with terms in excess of 12 months will be recognized on the balance sheet as an asset (right to use leased asset) and a liability (lease liability). The impact to operations is expected to be minimal. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

*Reclassifications:* Certain amounts for 2014 have been reclassified for comparative purpose to 2015.

**NOTE B – PLEDGES RECEIVABLE**

Pledges receivable are as follows at December 31:

	2015	2014
Receivable in less than one year	\$ 54,632	\$ 84,599
Receivable in one to five years	170,779	242,141
Receivable in greater than five years	11,787	23,902
Total pledges receivable	\$ 237,198	\$ 350,642

Pledges are reported net of an allowance for doubtful accounts of approximately \$41,500 at December 31, 2015 and 2014.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE C – ENDOWMENT INVESTMENTS**

A roll forward of earnings and losses for endowment investments, all of which are donor restricted, is as follows:

	Board- Designated Unrestricted	Donor Restricted		Total
		Temporarily Restricted	Permanently Restricted	
Endowment at December 31, 2013	\$ -	\$ 975,626	\$ -	\$ 975,626
Interest and dividends	-	19,551	-	19,551
Net realized and unrealized gains	-	12,748	-	12,748
Contributions	-	-	-	-
Appropriations	-	(42,212)	-	(42,212)
Endowment at December 31, 2014	-	965,713	-	965,713
Interest and dividends	-	15,972	-	15,972
Net realized and unrealized gains	-	(47,468)	-	(47,468)
Contributions	-	-	-	-
Appropriations	-	(43,247)	-	(43,247)
Endowment at December 31, 2015	<u>\$ -</u>	<u>\$ 890,970</u>	<u>\$ -</u>	<u>\$ 890,970</u>

*Interpretation of Relevant Law:* The Board of Directors of the Society has interpreted the State of Texas Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The donor has indicated that the Society may use both the income and corpus of the endowment for certain expenses related to the Society's veterinarian service program limited to certain annual spending rates to be determined by the Society's Board. Accordingly, the Society classifies as temporarily restricted net assets: (a) the original value of gifts to the temporary endowment, (b) the original value of subsequent gifts to the temporary endowment, and (c) accumulations to the temporary endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The funds will remain classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Society.

The following factors, among others, are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the organization and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation of investments.
- 6) Other resources of the organization.
- 7) The investment policies of the organization.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE C – ENDOWMENT INVESTMENTS – continued**

*Return Objectives and Risk Parameters:* The Board has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. Endowment funds, over time, are expected to provide a positive rate of return. Actual returns in any given year may vary from this amount.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Board targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

*Spending Policy and How the Investment Objectives Relate to Spending Policy:* In accordance with the donor's stipulations, funds will be expended to fulfill the endowment's purpose in accordance with the Society's reasonable annual endowment spending rate which the Society's Board shall determine from time to time. The annual spending rate is based on a target rate set as a percentage of the average market value as of September 30 for the previous three years. In determining this rate, the Board may consider, among other things, general economic conditions, the possible effect of inflation or deflation, and the expected total return from income and appreciation of investments in the fund.

**NOTE D – ASSETS HELD IN CHARITABLE GIFT ANNUITIES**

The Society is the residual beneficiary of six charitable gift (split-interest) annuities held at Bank of America. Payments from the charitable gift annuities are made to the donors during their lifetime. The net remainder interest is expected to be received in 2020 and thereafter.

The following table summarizes activity in the gift annuities for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Charitable gift annuities, asset at beginning of year	\$ 67,808	\$ 76,182
Contributions	-	-
Annuity payments	(10,500)	(10,500)
Termination of split-interest agreements	-	-
Change in value	<u>(2,316)</u>	<u>2,126</u>
Charitable gift annuities, asset at end of year	54,992	67,808
Less liabilities for expected payments	<u>(52,963)</u>	<u>(56,340)</u>
Charitable gift annuities, net of asset less liability	<u>\$ 2,029</u>	<u>\$ 11,468</u>



**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE D – ASSETS HELD IN CHARITABLE GIFT ANNUITIES - continued**

Charitable gifts received by the Society are summarized as follows:

<u>Year Established</u>	<u>Original Gift Amount</u>	<u>Quarterly Payment to Donor</u>	<u>Date of 1st Quarterly Payment</u>
2011	\$ 5,000	\$ 103	September 2011
2010	10,000	193	September 2010
2008	10,000	208	June 2008
2005	10,000	198	June 2009
2004	50,000	950	June 2004
2004	50,000	975	December 2004

**NOTE E – BENEFICIAL INTEREST IN TRUSTS**

The Society is the beneficiary of four trusts:

Naomi Evers 1988 Trust  
 John Ender Charitable Remainder Trust  
 Delgado/Masoro/Humane Society Charitable Remainder Trust  
 Masoro Charitable Remainder Unitrust

Upon the death of the current beneficiaries of each trust, the Society is entitled to a distribution of its proportionate share of the trust. The assets of the trusts consist primarily of government securities, bond funds, equity and debt securities, and real estate interests. A summary of the trusts is as follows at December 31:

	<u>Beneficiary %</u>	<u>Net Asset Value*</u>	
		<u>2015</u>	<u>2014</u>
Naomi Evers 1988 Trust	25%	\$ 205,824	\$ 245,655
John Ender Charitable Remainder Trust	50%	78,848	87,523
Delgado/Masoro/Humane Society Charitable Remainder Trust	100%	57,304	64,443
Masoro Charitable Remainder Unitrust	100%	<u>683,320</u>	<u>712,091</u>
		<u>\$ 1,025,296</u>	<u>\$ 1,109,712</u>

\* Represents approximate net asset value to the Society based on its beneficiary percentage ownership.

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Land, Fredericksburg Road	\$ 1,260,964	\$ 1,260,964
Office furniture and equipment	175,621	206,326
Shelter equipment	414,136	370,668
Vehicles	108,340	94,584
Facility and equipment	<u>4,684,028</u>	<u>4,621,978</u>
Total property and equipment	6,643,089	6,554,520
Less accumulated depreciation	<u>(2,437,679)</u>	<u>(2,359,006)</u>
Net property and equipment	<u><u>\$ 4,205,410</u></u>	<u><u>\$ 4,195,514</u></u>

**NOTE G – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Pledges receivable (future operations)	\$ 237,198	\$ 350,642
Charitable gift annuities, net of liabilities	2,029	11,468
Beneficial interest in trusts	1,025,296	1,109,712
Endowment investments (veterinarian)	890,790	965,713
Medical equipment and medical rescue fund	-	58,323
Grieve, Zeltman (courtyard sculpture and turf)	9,000	-
Brackenridge feral cats	<u>2,165</u>	<u>2,195</u>
Total temporarily restricted net assets	<u><u>\$ 2,166,478</u></u>	<u><u>\$ 2,498,053</u></u>

Assets released from restriction include the following:

	<u>2015</u>	<u>2014</u>
Veterinarian endowment	\$ 111,842	\$ 67,767
Contributions receivable	133,374	100,926
Charitable gift annuities, net of liabilities	18,700	15,025
Medical equipment	71,767	10,000
Surgery campaigns	-	28,500
Sterilization of feral cats	30	805
Other restricted donations	<u>14,168</u>	<u>6,902</u>
Total net assets released from restrictions	<u><u>\$ 349,881</u></u>	<u><u>\$ 229,925</u></u>

**NOTE H – CONTRIBUTED SERVICES**

The Society receives a substantial amount of contributed services from volunteers. Though an integral part of the Society’s manpower, the value of the services are not included as contributed revenue or expense in the Statement of Activities because they are not provided by professionals, which is a requirement for recognition under U.S. generally accepted accounting principles. Based on a value of \$10.00 per hour for 2015 and 2014, which approximates the cost of individuals employed by the Society to perform similar services, the Society received the following economic value:

<u>Year</u>	<u>Hours</u>	<u>Value of Services</u>
2015	14,958	\$ 149,580
2014	15,020	150,200

**NOTE I – FAIR VALUE MEASUREMENTS**

U. S. generally accepted accounting principles (GAAP) has established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs are inputs that reflect assumptions of what market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of the inputs, as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities;
- Level 2: Quoted prices in active markets for similar assets and liabilities that are observable for the asset or liability; or
- Level 3: Unobservable pricing inputs that are generally less observable from objective sources, such as discounted cash flow models or valuations.

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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used to compute fair value:

*Common Stocks, Corporate Bonds and U.S. Government Securities:* Valued at the closing prices reported on the active market which the individual securities are traded.

*Mutual Funds:* Valued at the net asset value (NAV).

*Beneficial Interests in Trusts:* Valued at the fair value of the underlying assets, which primarily consist of common stocks and mutual funds.

*Charitable Gift Annuities:* Valued at the fair value of the underlying assets.

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**NOTE I – FAIR VALUE MEASUREMENTS - continued**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets measured at fair value include the following at December 31:

	<u>2015</u>	<u>2014</u>
Investments	\$ 6,363,223	\$ 6,665,967
Endowment investments	890,970	965,713
Beneficial interest in trusts	1,025,296	1,109,712
Assets held in charitable gift annuities	<u>54,992</u>	<u>67,808</u>
	<u>\$ 8,334,481</u>	<u>\$ 8,809,200</u>

**SAN ANTONIO HUMANE SOCIETY**  
**Notes to Audited Financial Statements**  
**December 31, 2015 and 2014**

**NOTE I – FAIR VALUE MEASUREMENTS – continued**

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

<u>December 31, 2015:</u>	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Cash and equivalents	\$ 411,475	\$ -	\$ -	\$ 411,475
Mutual funds, stocks, and similar:				
Equities:				
US large cap	1,601,632	-	-	1,601,632
US mid cap	449,910	-	-	449,910
US small cap	460,607	-	-	460,607
Internationally developed	871,872	-	-	871,872
Emerging markets	438,568	-	-	438,568
Fixed income:				
Investment grade taxable	1,369,776	-	-	1,369,776
Global high yield taxable	255,384	-	-	255,384
Hedge funds	718,202	-	-	718,202
Real estate and tangible assets	676,757	-	-	676,757
Beneficial interests in trusts	-	1,025,296	-	1,025,296
Assets held in charitable gift annuities	54,992	-	-	54,992
Mineral interests *	-	-	10	10
	<u>\$ 7,309,175</u>	<u>\$ 1,025,296</u>	<u>\$ 10</u>	<u>\$ 8,334,481</u>
<u>December 31, 2014:</u>				
Cash and equivalents	\$ 840,900	\$ -	\$ -	\$ 840,900
Mutual funds, stocks, and similar:				
Equities:				
US large cap	1,489,190	-	-	1,489,190
US mid cap	346,018	-	-	346,018
US small cap	455,475	-	-	455,475
Internationally developed	825,107	-	-	825,107
Emerging markets	568,496	-	-	568,496
Fixed income:				
Investment grade taxable	1,253,933	-	-	1,253,933
Global high yield taxable	282,767	-	-	282,767
Hedge funds	816,075	-	-	816,075
Real estate and tangible assets	753,709	-	-	753,709
Beneficial interests in trusts	-	1,109,712	-	1,109,712
Assets held in charitable gift annuities	67,808	-	-	67,808
Mineral interests *	-	-	10	10
	<u>\$ 7,699,478</u>	<u>\$ 1,109,712</u>	<u>\$ 10</u>	<u>\$ 8,809,200</u>

\* Mineral interests are valued at a nominal amount of \$10.