

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

Audited Financial Statements

December 31, 2016

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

SAN ANTONIO HUMANE SOCIETY
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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, 2016 and 2015, 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.

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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, 2016 and 2015, 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
April 14, 2017

SAN ANTONIO HUMANE SOCIETY
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Operating Assets:		
Cash and cash equivalents	\$ 382,027	\$ 272,403
Pledges receivable, net	170,477	237,198
Other receivables	74,715	43,030
Inventory	9,470	12,346
Prepaid expenses and other current assets	19,035	19,423
Property and equipment, net	4,057,669	4,205,410
Land held for sale	10,250	10,250
Total operating assets	<u>4,723,643</u>	<u>4,800,060</u>
Investments, Trusts and Charitable Gifts:		
Investments	7,027,958	6,363,223
Investments, endowment	911,916	890,970
Beneficial interest in trusts	1,038,908	1,025,296
Assets held in charitable gift annuities	48,561	54,992
Total investments, trusts and charitable gifts	<u>9,027,343</u>	<u>8,334,481</u>
Total Assets	<u><u>\$ 13,750,986</u></u>	<u><u>\$ 13,134,541</u></u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statements of Financial Position
December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 202,361	\$ 144,108
Deferred revenue	46,326	30,950
Liabilities under charitable gift annuities	49,750	52,963
Total current liabilities	<u>298,437</u>	<u>228,021</u>
Net Assets:		
Without donor restrictions	11,300,697	10,740,042
With donor restrictions	2,151,852	2,166,478
Total net assets	<u>13,452,549</u>	<u>12,906,520</u>
Total Liabilities and Net Assets	<u><u>\$ 13,750,986</u></u>	<u><u>\$ 13,134,541</u></u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statement of Activities
Year Ended December 31, 2016

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
Program fees	\$ 781,529	\$ -	\$ 781,529
Bequests/special donations	1,305,838	-	1,305,838
Memberships/pledges/contributions	1,466,235	61,000	1,527,235
Other income	6,967	-	6,967
Special events, net of expenses of \$45,353	149,798	-	149,798
Total support and revenues	3,710,367	61,000	3,771,367
Expenses			
Program	2,868,650	-	2,868,650
General and administrative	318,150	-	318,150
Fundraising	369,012	-	369,012
Total expenses	3,555,812	-	3,555,812
Operating Income	154,555	61,000	215,555
Investment Earnings			
Investment earnings, net of fees	251,523	72,626	324,149
Changes in value of beneficial interests in trusts	-	13,612	13,612
Changes in value of charitable gift annuities	-	(7,287)	(7,287)
Investment earnings, net	251,523	78,951	330,474
Change in Net Assets	406,078	139,951	546,029
Net assets released from restrictions	154,577	(154,577)	-
Net assets at beginning of year	10,740,042	2,166,478	12,906,520
Net Assets at End of Year	<u>\$ 11,300,697</u>	<u>\$ 2,151,852</u>	<u>\$ 13,452,549</u>

See notes to audited financial statements.

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

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
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 \$8,728	140,351	-	140,351
Total support and revenues	<u>2,916,303</u>	<u>147,370</u>	<u>3,063,673</u>
Expenses			
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>
Operating Income (Loss)	(596,512)	147,370	(449,142)
Investment Earnings			
Investment earnings, net of fees	(169,258)	(37,525)	(206,783)
Changes in value of beneficial interests in trusts	-	(84,416)	(84,416)
Changes in value of charitable gift annuities	-	(7,123)	(7,123)
Investment earnings, net	<u>(169,258)</u>	<u>(129,064)</u>	<u>(298,322)</u>
Change in Net Assets	(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>
Net Assets at End of Year	<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 Functional Expenses
Year Ended December 31, 2016

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 333,431	\$ -	\$ -	\$ 333,431
Depreciation	218,632	-	-	218,632
Bad debts	-	-	32,950	32,950
Education	6,196	-	-	6,196
Printing, postage and newsletter	114,040	-	95,975	210,015
Occupancy and maintenance	223,808	4,052	3,934	231,794
Other expenses	126,219	20,044	50,331	196,594
Professional	3,204	36,628	2,027	41,859
Salaries, wages and benefits	1,830,902	255,104	180,757	2,266,763
Travel, meetings, and other	12,218	2,322	3,038	17,578
	<u>\$ 2,868,650</u>	<u>\$ 318,150</u>	<u>\$ 369,012</u>	<u>\$ 3,555,812</u>
Total Functional Expenses				
Other costs not included above:				
Special events, direct costs			<u>\$ 45,353</u>	
Investment fees		<u>\$ 31,595</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>
Total Functional Expenses				
Other costs not included above:				
Special events, direct costs			<u>\$ 8,728</u>	
Investment fees		<u>\$ 32,487</u>		

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Activities		
Change in net assets	\$ 546,029	\$ (747,464)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Realized and unrealized (gain) loss on investment securities	(206,485)	326,424
Depreciation	218,632	208,476
Change in operating assets and liabilities:		
Pledges receivable	66,721	113,444
Other receivables	(31,685)	(15,001)
Inventory	2,876	(3,865)
Prepaid expenses and other current assets	388	1,708
Accounts payable and accrued expenses	58,253	8,072
Deferred revenue	15,376	(16,850)
Net cash provided (used) by operating activities	<u>670,105</u>	<u>(125,056)</u>
Investing Activities		
Purchase of investments, net	(472,765)	63,879
Change in charitable gift annuities, net of payments	(3,213)	(3,377)
Change in beneficial interests in trusts	(13,612)	84,416
Purchases of property and equipment	(70,891)	(218,372)
Net cash (used) by investing activities	<u>(560,481)</u>	<u>(73,454)</u>
Net change in cash and cash equivalents	109,624	(198,510)
Cash and cash equivalents at beginning of year	<u>272,403</u>	<u>470,913</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 382,027</u></u>	<u><u>\$ 272,403</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ -	\$ -
Income taxes paid in cash	-	-

See notes to audited financial statements.

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:

Without Donor Restrictions: Net assets available for use in general operations and not subject to donor restrictions. Grants and contributions gifted for recurring programs of the Society generally are not considered "restricted" under GAAP, though for internal reporting the Society tracks such grants and contributions to verify the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restriction, board designated.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than the Society's mission and purpose. Some donor imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions: Contributions and grants are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of contribution.

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 \$6,000 in 2016 and \$39,000 in 2015. 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 \$38,000 in 2016 and \$43,000 in 2015.

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 \$36,000 in 2016 and \$37,000 in 2015. Gains and losses (realized and unrealized) are included in investment earnings on the 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.

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.

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.

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 \$15,000 in 2016 and \$14,000 in 2015 to the Plan.

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 of more than 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.

Recently Adopted Accounting Pronouncement: In August 2016, the FASB issued Accounting Standards Update 2016-14, regarding the reporting and disclosure requirements for not-for-profit organizations, effective for periods beginning after December 15, 2017, with early adoption permitted. The pronouncement replaces the three classes of net assets with two new classes, requires the reporting of expenses by function and natural classification for all not-for-profit organizations, enhances disclosures on liquidity and availability of resources, and includes several other less significant reporting enhancements. The Society has early adopted this new pronouncement effective January 1, 2016.

Reclassifications: Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between reporting periods presented. The reclassifications are due to the adoption of Accounting Standards Update 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified at December 31, 2015 as "unrestricted" of \$10,740,042 are now classified as "without donor restriction". Net assets previously classified as "temporarily restricted" or \$2,166,478 are now classified as "with donor restrictions".

SAN ANTONIO HUMANE SOCIETY
Notes to Audited Financial Statements
December 31, 2016 and 2015

NOTE B – PLEDGES RECEIVABLE

Pledges receivable are as follows at December 31:

	2016	2015
Receivable in less than one year	\$ 66,090	\$ 54,632
Receivable in one to five years	101,387	170,779
Receivable in greater than five years	3,000	11,787
Total pledges receivable	<u>\$ 170,477</u>	<u>\$ 237,198</u>

Pledges are reported net of an allowance for doubtful accounts of \$17,830 at December 31, 2016 and \$41,500 at December 31, 2015.

NOTE C – ENDOWMENT INVESTMENTS

A roll forward endowment investment, all of which are donor restricted, are as follows:

	Total
Endowment investments at December 31, 2014	\$ 965,710
Interest and dividends	15,972
Net realized and unrealized gains	(47,465)
Contributions	-
Appropriations	<u>(43,247)</u>
Endowment investments at December 31, 2015	890,970
Interest and dividends	16,765
Net realized and unrealized loss	45,717
Contributions	-
Appropriations	<u>(41,536)</u>
Endowment investments at December 31, 2016	<u>\$ 911,916</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 with donor restrictions: a) the original value of gifts, and b) the original value of subsequent gifts. The funds will remain classified as with donor restrictions until those amounts are appropriated for expenditure by the Society.

NOTE C – ENDOWMENT INVESTMENTS - Continued

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.

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.

SAN ANTONIO HUMANE SOCIETY
Notes to Audited Financial Statements
December 31, 2016 and 2015

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>2016</u>	<u>2015</u>
Charitable gift, annuity value at beginning of year	\$ 54,992	\$ 67,808
Contributions	-	-
Annuity payments	(10,500)	(10,500)
Termination of split-interest agreements	-	-
Change in value	<u>4,069</u>	<u>(2,316)</u>
Charitable gift, annuity value at end of year	48,561	54,992
Less liabilities for expected payments	<u>(49,750)</u>	<u>(52,963)</u>
Net asset (liability)	<u>\$ (1,189)</u>	<u>\$ 2,029</u>

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

SAN ANTONIO HUMANE SOCIETY
Notes to Audited Financial Statements
December 31, 2016 and 2015

NOTE E – BENEFICIAL INTEREST IN TRUSTS

The Society is named as beneficiary in six trusts:

Naomi Evers 1988 Trust
 John Ender Charitable Remainder Trust
 Delgado/Masoro/Humane Society Charitable Remainder Trust
 Masoro Charitable Remainder Unitrust
 Bruce Meador Charitable Remainder Trust
 Magie Shackelford Charitable Trust

The Society is entitled to a distribution of its proportionate share of each trust upon the death of the grantor. The assets of each trust consist primarily of government securities, bond funds, equity and debt securities, and real estate interests, and the Society's net asset value is computed on its proportionate share of the fair value of the net trust assets. A summary of the trusts are as follows at December 31:

	<u>Beneficiary %</u>	<u>Net Asset Value</u>	
		<u>2016</u>	<u>2015</u>
Naomi Evers Trust	25%	\$ 177,101	\$ 205,824
John Ender Charitable Trust	50%	77,165	78,848
Delgado/Masoro Trust	100%	56,078	57,304
Masoro Trust	100%	728,564	683,320
Meador Trust	15%	- *	N/A
Shackelford Trust	15%	- *	N/A
		<u>\$ 1,038,908</u>	<u>\$ 1,025,296</u>

*Through 2014, the Society recorded its estimated interest in known trusts for which it is a named beneficiary. Effective in 2015, management determined it would no longer recognize its proportionate net asset value of the Trust until such time as the beneficiary designation could not be changed.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Land, Fredericksburg Road	\$ 1,260,964	\$ 1,260,964
Office furniture and equipment	246,511	175,621
Shelter equipment	414,136	414,136
Vehicles	81,843	108,340
Facility and equipment	4,684,028	4,684,028
Total property and equipment	<u>6,687,482</u>	<u>6,643,089</u>
Less accumulated depreciation	<u>(2,629,813)</u>	<u>(2,437,679)</u>
Net property and equipment	<u>\$ 4,057,669</u>	<u>\$ 4,205,410</u>

NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Pledges receivable (future operations)	\$ 170,477	\$ 237,198
Endowment investments (veterinarian)	911,916	890,790
Beneficial interest in trusts	1,038,908	1,025,296
Charitable gift annuities, net of related liabilities	(1,189)	2,029
Brackenridge feral cats	1,740	2,165
Capital group grant	25,000	-
Silver & Black grant	5,000	-
Grieve, Zeltman (courtyard sculpture and turf)	<u>-</u>	<u>9,000</u>
Total net assets with donor restrictions	<u>\$ 2,151,852</u>	<u>\$ 2,166,478</u>

Assets released from restriction include the following:

	<u>2016</u>	<u>2015</u>
Veterinarian endowment	\$ 41,356	\$ 111,842
Contributions receivable	97,721	133,374
Charitable gift annuities, net of liabilities	6,075	18,700
Medical equipment	-	71,767
Sterilization of feral cats	425	30
Other restricted donations	<u>9,000</u>	<u>14,168</u>
Total net assets released from restrictions	<u>\$ 154,577</u>	<u>\$ 349,881</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 2016 and 2015, 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>
2016	21,860	\$ 218,600
2015	14,958	149,580

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.

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:

	2016	2015
Investments	\$ 7,027,958	\$ 6,363,223
Endowment investments	911,916	890,970
Beneficial interest in trusts	1,038,908	1,025,296
Assets held in charitable gift annuities	48,561	54,992
	<u>\$ 9,027,343</u>	<u>\$ 8,334,481</u>

SAN ANTONIO HUMANE SOCIETY
Notes to Audited Financial Statements
December 31, 2016 and 2015

NOTE I – FAIR VALUE MEASUREMENTS – continued

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

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
<i>December 31, 2016:</i>				
Cash and cash equivalents	\$ 347,248	\$ -	\$ -	\$ 347,248
Equities	4,110,672	-	-	4,110,672
Fixed income	2,168,747	-	-	2,168,747
Hedge funds	712,103	-	-	712,103
Other equities and funds	601,094	-	-	601,094
Beneficial interests in trusts	-	1,038,908	-	1,038,908
Charitable gift annuities	-	48,561	-	48,561
Mineral interests *	-	-	10	10
Assets measured at fair value	<u>\$ 7,939,864</u>	<u>\$ 1,087,469</u>	<u>\$ 10</u>	<u>\$ 9,027,343</u>
<i>December 31, 2015:</i>				
Cash and equivalents	\$ 411,475	\$ -	\$ -	\$ 411,475
Equities	3,822,589	-	-	3,822,589
Fixed income	1,625,160	-	-	1,625,160
Hedge funds	718,202	-	-	718,202
Other equities and funds	676,757	-	-	676,757
Beneficial interests in trusts	-	1,025,296	-	1,025,296
Charitable gift annuities	-	54,992	-	54,992
Mineral interests *	-	-	10	10
Assets measured at fair value	<u>\$ 7,254,183</u>	<u>\$ 1,080,288</u>	<u>\$ 10</u>	<u>\$ 8,334,481</u>

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

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

Accounting Standards Update 2016-14 requires management to discuss its financial resources that are available as of year end and which may be utilized for operations over the next 12 month period. The Society has approximately \$7,350,000 in net financial assets as of year end. This consists of cash and equivalents of \$382,027, pledges expected to be collected within 12 months of \$66,090, other receivables of \$74,715, and investments of \$7,027,958 (which are not endowed), net of accounts payable of \$202,361. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures. However, it is not the intent of management to utilize its investments for recurring operations. Accordingly, the Society will continue to actively earn program fees as well as solicit memberships, pledges, contributions and bequests to fund current operations. The Society has a goal to maintain financial assets to meet at least 12 months of recurring operating expenses, which on average, total approximately \$300,000 per month given full programmatic operations.

NOTE K – SUBSEQUENT EVENT

In March 2017, San Antonio Humane Society entered into a lease with the City of San Antonio for a second location, Brooks Spay and Neuter Clinic. Certain equipment for this location will be provided by the landlord, City of San Antonio.