

HUMANE SOCIETY OF SAN ANTONIO
dba
SAN ANTONIO HUMANE SOCIETY

Audited Financial Statements

December 31, 2018

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

SAN ANTONIO HUMANE SOCIETY
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December 31, 2018

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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 statements of financial position as of December 31, 2018 and 2017, 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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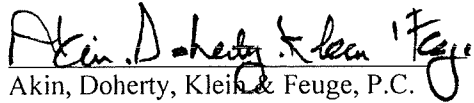
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Opinion

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, 2018 and 2017, 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 12, 2019

SAN ANTONIO HUMANE SOCIETY
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Operating Assets:		
Cash and cash equivalents		
Available for operations, unrestricted	\$ 771,348	\$ 416,614
Restricted for programs	23,900	45,150
Total cash and cash equivalents	<u>795,248</u>	<u>461,764</u>
Pledges receivable, net	1,916,496	59,002
Other receivables	101,169	51,957
Inventory	115,778	215,780
Prepaid expenses and other current assets	21,455	21,664
Property and equipment, net	3,694,169	3,915,303
Land held for sale	<u>10,250</u>	<u>10,250</u>
Total operating assets	6,654,565	4,735,720
Investments, Trusts and Charitable Gifts:		
Investments, unrestricted	8,852,747	9,166,449
Investments, endowment	886,529	992,272
Beneficial interests in trusts	933,993	1,107,639
Assets held in charitable gift annuities	31,886	45,788
Total investments, trusts and charitable gifts	<u>10,705,155</u>	<u>11,312,148</u>
Total Assets	<u><u>\$ 17,359,720</u></u>	<u><u>\$ 16,047,868</u></u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statements of Financial Position
December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 247,071	\$ 234,457
Deferred revenue	23,500	43,000
Liabilities under charitable gift annuities	41,429	45,529
Total current liabilities	<u>312,000</u>	<u>322,986</u>
Net Assets:		
Without donor restrictions	13,296,345	13,520,560
With donor restrictions:		
Cash, restricted for programs	23,900	45,150
Pledges, time restricted	1,916,496	59,002
Investments, endowed	886,529	992,272
Beneficial interest in trusts	933,993	1,107,639
Charitable gift annuities, net of liabilities	(9,543)	259
Total with donor restrictions	<u>3,751,375</u>	<u>2,204,322</u>
Total net assets	<u>17,047,720</u>	<u>15,724,882</u>
Total Liabilities and Net Assets	<u><u>\$ 17,359,720</u></u>	<u><u>\$ 16,047,868</u></u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statement of Activities
Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
Program fees	\$ 1,515,103	\$ -	\$ 1,515,103
Bequests/special donations	499,848	-	499,848
Memberships/pledges/contributions	2,183,943	2,670,600	4,854,543
Other income (loss)	(4,043)	-	(4,043)
Special events, net of expenses of \$49,219	134,911	-	134,911
Total support and revenues	<u>4,329,762</u>	<u>2,670,600</u>	<u>7,000,362</u>
Expenses			
Program	3,814,164	-	3,814,164
General and administrative	512,304	-	512,304
Fundraising	512,038	-	512,038
Total expenses	<u>4,838,506</u>	<u>-</u>	<u>4,838,506</u>
Operating Income (Loss)	(508,744)	2,670,600	2,161,856
Investment Earnings			
Investment loss, net of fees	(587,992)	(70,977)	(658,969)
Changes in value of beneficial interests in trusts	-	(173,649)	(173,649)
Changes in value of charitable gift annuities	-	(6,400)	(6,400)
Investment earnings (loss), net	<u>(587,992)</u>	<u>(251,026)</u>	<u>(839,018)</u>
Change in Net Assets	(1,096,736)	2,419,574	1,322,838
Net assets released from restrictions	872,521	(872,521)	-
Net assets at beginning of year	<u>13,520,560</u>	<u>2,204,322</u>	<u>15,724,882</u>
Net Assets at End of Year	<u>\$ 13,296,345</u>	<u>\$ 3,751,375</u>	<u>\$ 17,047,720</u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statement of Activities
Year Ended December 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Totals
Support and Revenues			
Program fees	\$ 1,292,544	\$ -	\$ 1,292,544
Bequests/special donations	1,568,270	-	1,568,270
Memberships/pledges/contributions	2,397,137	46,000	2,443,137
Other income (loss)	(1,878)	-	(1,878)
Special events, net of expenses of \$47,825	135,871	-	135,871
Total support and revenues	<u>5,391,944</u>	<u>46,000</u>	<u>5,437,944</u>
Expenses			
Program	3,589,600	-	3,589,600
General and administrative	343,541	-	343,541
Fundraising	421,544	-	421,544
Total expenses	<u>4,354,685</u>	<u>-</u>	<u>4,354,685</u>
Operating Income	1,037,259	46,000	1,083,259
Investment Earnings			
Investment earnings, net of fees	985,899	140,721	1,126,620
Changes in value of beneficial interests in trusts	-	68,733	68,733
Changes in value of charitable gift annuities	-	(6,279)	(6,279)
Investment earnings, net	<u>985,899</u>	<u>203,175</u>	<u>1,189,074</u>
Change in Net Assets	2,023,158	249,175	2,272,333
Net assets released from restrictions	196,705	(196,705)	-
Net assets at beginning of year	<u>11,300,697</u>	<u>2,151,852</u>	<u>13,452,549</u>
Net Assets at End of Year	<u>\$ 13,520,560</u>	<u>\$ 2,204,322</u>	<u>\$ 15,724,882</u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statement of Functional Expenses
Year Ended December 31, 2018

	Program	General and Administrative	Fundraising	Total
Animal care	\$ 473,906	\$ -	\$ -	\$ 473,906
Bad debts	898	-	7,537	8,435
Education	4,409	-	-	4,409
Printing, postage and newsletter	373,062	-	320,373	693,435
Occupancy and maintenance	334,344	3,916	506	338,766
Other expenses	205,046	20,521	56,825	282,392
Professional	978	22,943	-	23,921
Salaries, wages and benefits	2,183,458	462,617	125,052	2,771,127
Travel, meetings, and other	7,389	2,307	1,745	11,441
Depreciation	230,674	-	-	230,674
Total Functional Expenses	<u>\$ 3,814,164</u>	<u>\$ 512,304</u>	<u>\$ 512,038</u>	<u>\$ 4,838,506</u>

Special Events, direct costs not included above:

Value of goods received by guest	\$ 9,797
Facilities rental	819
Production costs	27,693
Other direct costs	10,910
	<u>\$ 49,219</u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statement of Functional Expenses
Year Ended December 31, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Animal care	\$ 330,955	\$ -	\$ -	\$ 330,955
Bad debts	-	-	40,390	40,390
Education	7,574	-	-	7,574
Printing, postage and newsletter	141,235	-	120,685	261,920
Occupancy and maintenance	305,256	4,637	3,048	312,941
Other expenses	238,563	21,531	73,021	333,115
Professional	157,155	17,500	-	174,655
Salaries, wages and benefits	2,180,243	297,802	183,548	2,661,593
Travel, meetings, and other	6,696	2,071	852	9,619
Depreciation	221,923	-	-	221,923
Total Functional Expenses	<u>\$ 3,589,600</u>	<u>\$ 343,541</u>	<u>\$ 421,544</u>	<u>\$ 4,354,685</u>

Special Events, direct costs not included above:

Value of goods received by guest	\$ 9,243
Facilities rental	2,626
Production costs	20,866
Other direct costs	<u>15,090</u>
	<u>\$ 47,825</u>

See notes to audited financial statements.

SAN ANTONIO HUMANE SOCIETY
Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating Activities		
Change in net assets	\$ 1,322,838	\$ 2,272,333
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Realized and unrealized loss (gain) on investment securities	854,243	(993,173)
Depreciation	230,674	221,923
Loss on sale of assets	7,810	-
Change in operating assets and liabilities:		
Pledges receivable	(1,857,494)	111,475
Other receivables	(49,214)	22,762
Inventory	100,002	(206,310)
Prepaid expenses and other current assets	209	(2,629)
Accounts payable and accrued expenses	12,614	32,096
Deferred revenue	(19,500)	(3,326)
Net cash provided by operating activities	<u>602,182</u>	<u>1,455,151</u>
Investing Activities		
Purchases of property and equipment	(17,350)	(84,544)
Proceeds on disposal of equipment	-	4,987
Purchase of investments, net	(420,896)	(1,222,903)
Change in charitable gift annuities, net of payments	(4,100)	(4,221)
Change in beneficial interests in trusts	173,648	(68,733)
Net cash (used) by investing activities	<u>(268,698)</u>	<u>(1,375,414)</u>
Net change in cash and cash equivalents	333,484	79,737
Cash and cash equivalents at beginning of year	<u>461,764</u>	<u>382,027</u>
Cash and Cash Equivalents at End of Year	<u>\$ 795,248</u>	<u>\$ 461,764</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 (such as pledges) 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 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 2018 and \$70,000 in 2017.

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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Other Receivables: Other receivables arise primarily from animal care. Such accounts receivable are recorded at gross less an allowance for doubtful accounts. The allowance is generally based on an account-by-account review and historical trends. Accounts are charged off when collection efforts have failed and the account is deemed uncollectible and is included in the allowance for pledges receivable. The Organization generally does not charge interest on accounts receivable.

Inventory: Inventory is valued at net realizable value determined on a specific identification basis.

Investments: Investments, which consist primarily of mutual funds, are reported at fair market value determined by quoted market price. Investment earnings are reported net of fees of approximately \$39,000 in 2018 and \$41,000 in 2017. Gains and losses (realized and unrealized) are included in investment earnings on the statement of activities.

Investments, Endowment: Endowment investments are donor restricted and are reported at fair value determined by quoted market price. Endowment earnings are reported net of fees of \$4,582 in 2018 and \$3,785 in 2017.

Beneficial Interest in Trusts: The Society holds a beneficial interest in certain 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 certain 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 \$23,000 in 2018 and \$20,000 in 2017 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 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 does not expect the new standard to have a significant impact to its financial position, results of operations and related disclosures.

In June 2018, the FASB issued a new accounting pronouncement clarifying the scope and guidance for contributions received, effective for periods beginning after December 15, 2018 with early adoption permitted. The update will assist organizations in 1) evaluating whether transactions should be accounted for as contributions or exchange transactions and 2) determine whether contributions are conditional. Management does not expect the new standard to have a significant impact to its financial position, results of operations 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 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.

SAN ANTONIO HUMANE SOCIETY
Notes to Audited Financial Statements
December 31, 2018 and 2017

NOTE B – PLEDGES RECEIVABLE

Pledges receivable are as follows at December 31:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 1,042,690	\$ 16,578
Receivable in one to five years	873,806	40,979
Receivable in greater than five years	<u>-</u>	<u>1,445</u>
Total pledges receivable	<u>\$ 1,916,496</u>	<u>\$ 59,002</u>

Pledges are reported net of an allowance for doubtful accounts of \$10,382 at December 31, 2018 and \$17,830 at December 2017, respectively. Discounting multi-year pledges to present value is not significant for recognition.

NOTE C – ENDOWMENT INVESTMENTS

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

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, b) the original value of subsequent gifts, c) earnings on the gifts, and d) less appropriations. The funds will remain classified as with donor restrictions until those amounts are appropriated for expenditure by the Society.

	<u>2018</u>	<u>2017</u>
Endowment investments, beginning of year	\$ 992,272	\$ 911,916
Interest and dividends	22,641	18,680
Net realized and unrealized gains	(80,523)	106,463
Contributions	-	-
Fees and expenses	(4,582)	(3,785)
Appropriations	<u>(43,279)</u>	<u>(41,002)</u>
Endowment investments, end of year	<u>\$ 886,529</u>	<u>\$ 992,272</u>

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 year. 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, 2018 and 2017

NOTE D – ASSETS HELD IN CHARITABLE GIFT ANNUITIES

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

	<u>2018</u>	<u>2017</u>
Charitable gift, annuity value at beginning of year	\$ 45,788	\$ 48,561
Contributions	-	-
Annuity payments	(10,500)	(10,500)
Termination of split-interest agreements	-	-
Change in value	<u>(3,402)</u>	<u>7,727</u>
Charitable gift, annuity value at end of year	31,886	45,788
Less liabilities for expected payments	<u>(41,429)</u>	<u>(45,529)</u>
Net asset (liability)	<u>\$ (9,543)</u>	<u>\$ 259</u>

Charitable gifts received by the Society are summarized as follows:

<u>Year</u> <u>Established</u>	<u>Original</u> <u>Gift</u> <u>Amount</u>	<u>Quarterly</u> <u>Payment to</u> <u>Donor</u>	<u>Date of 1st</u> <u>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, 2018 and 2017

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:

	Beneficiary %	Net Asset Value	
		2018	2017
Naomi Evers Trust	25%	168,633	\$ 193,041
John Ender Charitable Trust	50%	75,225	83,134
Delgado/Masoro Trust	100%	41,699	52,739
Masoro Trust	100%	648,436	778,725
Meador Trust	15%	- *	-
Shackelford Trust	15%	- *	-
		<u>\$ 933,993</u>	<u>\$ 1,107,639</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:

	2018	2017
Land, Fredericksburg Road	\$ 1,260,964	\$ 1,260,964
Office furniture and equipment	268,375	268,187
Shelter equipment	403,608	406,838
Vehicles	110,142	110,142
Facility and equipment	4,684,028	4,684,028
Total property and equipment	<u>6,727,117</u>	<u>6,730,159</u>
Less accumulated depreciation	<u>(3,032,948)</u>	<u>(2,814,856)</u>
Net property and equipment	<u>\$ 3,694,169</u>	<u>\$ 3,915,303</u>

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NOTE G - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2018</u>	<u>2017</u>
Restricted cash:		
Petsmart grant	\$ -	\$ 43,000
SWVS	400	1,000
Brackenridge feral cats	-	1,150
Capital Group grant	23,500	-
Pledges receivable:		
Capital campaign	1,880,228	-
Other pledges	36,268	59,002
Endowment investments (veterinarian)	886,529	992,272
Beneficial interest in trusts	933,993	1,107,639
Charitable gift annuities, net of related liabilities	<u>(9,543)</u>	<u>259</u>
 Total net assets with donor restrictions	 <u>\$ 3,751,375</u>	 <u>\$ 2,204,322</u>

Assets released from restriction include the following:

	<u>2018</u>	<u>2017</u>
Veterinarian endowment	\$ 43,279	\$ 41,002
Petsmart grant	43,000	-
Contributions receivable	27,734	113,477
Charitable gift annuities, net of liabilities	(5,114)	11,636
Capital Group grant	-	25,000
Silver & Black grant	-	5,000
Sterilization of feral cats	1,150	590
SWVS	600	-
Capital Campaign	<u>761,872</u>	<u>-</u>
 Total net assets released from restrictions	 <u>\$ 872,521</u>	 <u>\$ 196,705</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 \$10.50 per hour in 2018 and 2017, 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>
2018	29,248	\$ 307,104
2017	25,671	269,546

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 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.

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

<u>December 31, 2018:</u>	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
Investments and Endowed Investments:				
Cash and cash equivalents	\$ 4,210,927	\$ -	\$ -	\$ 4,210,927
Equities	5,528,339	-	-	5,528,339
Mineral interests *	-	-	10	10
Beneficial interests in trusts	-	933,993	-	933,993
Charitable gift annuities	-	31,886	-	31,886
	<u>\$ 9,739,266</u>	<u>\$ 965,879</u>	<u>\$ 10</u>	<u>\$ 10,705,155</u>
Assets measured at fair value				
<u>December 31, 2017:</u>				
Investments and Endowed Investments:				
Cash and cash equivalents	\$ 6,151,823	\$ -	\$ -	\$ 6,151,823
Equities	4,006,888	-	-	4,006,888
Mineral interests *	-	-	10	10
Beneficial interests in trusts	-	1,107,639	-	1,107,639
Charitable gift annuities	-	45,788	-	45,788
	<u>\$ 10,158,711</u>	<u>\$ 1,153,427</u>	<u>\$ 10</u>	<u>\$ 11,312,148</u>
Assets measured at fair value				

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

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The Society has approximately \$10,792,000 in financial assets as of year end. This consists of cash and equivalents of \$795,248, pledges expected to be collected within 12 months of \$1,042,690, other receivables of \$101,169, and investments, unrestricted of \$8,852,747. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for expenditures. Management budgets a 4% annual withdrawal from unrestricted investment portfolio to supplement operating costs. 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 \$400,000 per month given full programmatic operations.