



# Montemayor Britton Bender PC

CERTIFIED PUBLIC ACCOUNTANTS

**HUMANE HEROES, INC.**  
**dba**  
**TEXAS HUMANE HEROES**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

**31 DECEMBER 2018**



Montemayor Britton Bender PC  
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors  
Humane Heroes, Inc. dba Texas Humane Heroes

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of Humane Heroes, Inc. dba Texas Humane Heroes (Humane Heroes), which comprise the statement of financial position as of 31 December 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Heroes as of 31 December 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Montemayor Britton Bender PC*

15 August 2019  
Austin, Texas

HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2018

ASSETS

CURRENT ASSETS

Cash	\$246,925
Accounts receivable	22,688
Prepaid and other	<u>11,282</u>
	280,895

PROPERTY AND EQUIPMENT

988,056

\$1,268,951

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$14,849
Accrued liabilities	55,350
Current portion of long-term debt	<u>188,048</u>
	258,247

LONG-TERM DEBT, net of current portion

47,685

305,932

NET ASSETS WITHOUT DONOR RESTRICTIONS

963,019

\$1,268,951

The accompanying notes are an integral part of this financial statement presentation.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## STATEMENT OF ACTIVITIES

YEAR ENDED 31 DECEMBER 2018

### REVENUE

Fees for adoption, clinic and other	\$551,801
Contributions	465,667
Special events	85,779
Foundation and other grants	73,501
Investment earnings	6,038
Other	<u>1,322</u>
	<u>1,184,108</u>

### EXPENSES

Program	944,689
Administrative	165,832
Fundraising	<u>82,213</u>
	<u>1,192,734</u>

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(8,626)
BEGINNING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>971,645</u>
ENDING NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$963,019</u>

The accompanying notes are an integral part of this financial statement presentation.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED 31 DECEMBER 2018

	<u>Program</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related	\$546,807	\$107,923	\$64,754	\$719,484
Supplies and equipment	129,650	0	0	129,650
Marketing	46,223	9,123	5,474	60,820
Contract services	55,286	0	0	55,286
Facilities	54,200	0	0	54,200
Depreciation	28,778	5,680	3,408	37,866
Service fees	20,747	4,095	2,457	27,299
Administrative	0	21,393	0	21,393
Information systems	15,790	3,116	1,870	20,776
Insurance	13,342	2,633	1,580	17,555
Other	<u>33,866</u>	<u>11,869</u>	<u>2,670</u>	<u>48,405</u>
	<u>\$944,689</u>	<u>\$165,832</u>	<u>\$82,213</u>	<u>\$1,192,734</u>

The accompanying notes are an integral part of this financial statement presentation.

HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	(\$8,626)
Depreciation	37,866
Change in:	
Accounts receivable	(5,992)
Accounts payable and accrued liabilities	<u>3,486</u>
	<u>26,734</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	<u>(56,190)</u>
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CASH FLOWS FROM FINANCING ACTIVITIES

Draws on note payable	64,561
Debt principal payments	<u>(65,729)</u>
	<u>(1,168)</u>

NET CHANGE IN CASH (30,624)

BEGINNING CASH 277,549

ENDING CASH \$246,925

INTEREST EXPENSE \$10,682

The accompanying notes are an integral part of this financial statement presentation.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1: ORGANIZATION

Humane Heroes, Inc. was incorporated in 1979 in Texas, originally under the name of The Williamson County Humane Society, Inc. In October 2014, the name was changed to Humane Heroes, Inc. and it currently operates under the dba of Texas Humane Heroes (Humane Heroes). Humane Heroes promotes the humane treatment of animals throughout Texas, with a vision of finding a home for every pet. Humane Heroes operates multi-site “No Kill” animal adoption centers focused on eliminating pet homelessness throughout Texas.

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### FINANCIAL STATEMENT PRESENTATION

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

##### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

##### Net Assets With Donor Restrictions

Net assets subject to donor (or certain grantor) restrictions. 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. Other donor imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when the restriction expires, which includes when the stipulated time has elapsed, when the stipulated purpose for which the restricted resources has been fulfilled, or both.

#### BASIS OF ACCOUNTING

Humane Heroes uses the accrual basis method of accounting. Revenues are recorded as earned and expenses are recognized when incurred.

#### FUNCTIONAL ALLOCATION OF EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salary and related, marketing, depreciation, service fees, information systems, insurance, interest, transportation, and other expenses which are based on estimates of employee use of time.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### CONTRIBUTIONS

Contributions received (including unconditional promises to give) are recorded at fair value on the date of donation as without donor restrictions or with donor restrictions at fair value in the period received depending on the existence and/or nature of any restrictions.

#### PROPERTY AND EQUIPMENT

Purchases of property and equipment are recorded at cost if the estimated useful life of the item is five years or greater and the cost of the item is over \$2,000. Donations of property and equipment are recorded at their estimated fair value at the time of donation. Depreciation is computed using the method allowed by the IRS (modified accelerated cost recovery systems or straight-line) over the estimated useful lives which are generally three to seven years for furniture and equipment and 39 years for buildings. Work-in-progress is recorded at cost and is not depreciated until the asset is placed in use.

#### ESTIMATES

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### INCOME TAXES

Humane Heroes is exempt from income taxes under IRS Code Section 501(c)(3), except to the extent it has unrelated business income. Therefore, no provision has been made for Federal income taxes in the accompanying financial statements. At 31 December 2018 no interest and penalties have been or are required to be accrued.

#### SUBSEQUENT EVENTS

Management of Humane Heroes has evaluated subsequent events for disclosure through the date of the Independent Auditor's Report, the date the financial statements were available to be issued.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### CONTRIBUTED GOODS AND SERVICES

Humane Heroes records various in-kind goods and services in the period received. Contributed goods and services are recognized if (a) these create or enhance assets or (b) require specialized skills that would typically need to be purchased if not donated.

In addition, many individuals volunteer their time and perform a variety of tasks that assist Humane Heroes with its program and support services. However, no amounts have been reflected in the financial statement for donated services because the criteria for recognition of such volunteer services have not been met.

### NOTE 3: PROPERTY AND EQUIPMENT

Land	\$410,731
Building and improvements	839,076
Furniture, fixtures, and equipment	181,370
Vehicles	<u>50,714</u>
	1,481,891
Less: accumulated depreciation	<u>(493,835)</u>
	<u>\$988,056</u>

### NOTE 4: LINE OF CREDIT

Humane Heroes holds a line of credit with Regions Bank with a maximum available amount of \$72,000 with an adjustable interest rate. The rate at 31 December 2018 was 2.0%. At 31 December 2018, the outstanding balance was \$0.

### NOTE 5: LONG-TERM DEBT

On 12 November 2010, Humane Heroes executed a \$179,065 note payable agreement with Regions Bank secured by a lien on land owned by Humane Heroes at their Leander, Texas location. The loan was refinanced on 27 August 2014 with a new balance of \$205,000. The note requires monthly payments of \$1,308 and has an interest rate of 4.6%. The final payment of outstanding principle and interest is due in full on 27 August 2019.

On 9 May 2018, Humane Heroes executed a \$44,461 note payable agreement with Regions Bank. The note requires monthly payments of \$866, and has an interest rate of 6.1%. The final payment of outstanding principle and interest is due in full on 9 May 2023.

# HUMANE HEROES, INC. dba TEXAS HUMANE HEROES

## NOTES TO FINANCIAL STATEMENTS

### NOTE 5: LONG-TERM DEBT

On 15 October 2018, Humane Heroes executed a \$20,000 note payable agreement with First Citizens Bank, secured by an automobile. The note requires monthly payments of \$380 and has an interest rate of 5.15%. The final payment is due 15 October 2023.

Maturities of the debt are:

2019	\$188,048
2020	12,479
2021	13,224
2022	14,013
2023	<u>7,969</u>
	<u>\$235,733</u>

### NOTE 6: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$246,925
Receivables	<u>22,688</u>
	<u>\$269,613</u>

As part of Humane Heroes' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The policy is that monthly revenues are to cover monthly expenses. Monthly revenues and expenditures are deposited in and deducted from Humane Heroes' operating account.

As described in Note 4, Humane Heroes has an existing line of credit with Regions Bank in the amount of \$72,000, which it could draw upon in the event of an unanticipated liquidity need.

### NOTE 7: CHANGE IN ACCOUNTING PRINCIPLE

In 18 August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-For-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-For-Profit Entities. The update addresses the complexity and understandability of net asset classifications, deficiencies in information about the liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation of these financial statements accordingly. ASU 2016-14 has been applied retrospectively to all periods presented.