

ANIMAL DEFENSE LEAGUE OF TEXAS

Audited Financial Statements

December 31, 2009

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

ANIMAL DEFENSE LEAGUE
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December 31, 2009 and 2008

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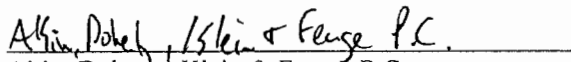
REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Animal Defense League of Texas
San Antonio, Texas

We have audited the accompanying statements of financial position of the Animal Defense League of Texas as of December 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the League's management. 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 of material misstatements. An audit includes examining, on a test basis, evidence which supports the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Animal Defense League of Texas as of December 31, 2009 and 2008, and its activities, functional expenses and cash flows for the years then ended, in conformity with U. S. generally accepted accounting principles.


Akin, Doherty, Klein & Feuge, P.C.
San Antonio, Texas
June 21, 2010

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 87,031	\$ 48,410
Receivables:		
Animal Defense League Foundation	578,078	500,000
Annuity, current portion	50,392	47,368
Other contributions	99,257	50,492
Inventory	2,065	2,065
Investments:		
Money market accounts	645,723	470,986
Debt and equity securities	649,364	1,513,986
Total current assets	<u>2,111,910</u>	<u>2,633,307</u>
Property and Equipment:		
Land	391,752	391,752
Buildings	2,187,601	2,099,711
Building improvements	978,275	835,234
Pet park	90,372	90,372
Office furniture and equipment	498,849	495,850
Vehicles	63,829	63,829
Total property and equipment	<u>4,210,678</u>	<u>3,976,748</u>
Less accumulated depreciation	<u>(1,488,651)</u>	<u>(1,380,796)</u>
Net property and equipment	<u>2,722,027</u>	<u>2,595,952</u>
Annuity, long-term portion	<u>135,461</u>	<u>185,853</u>
Total Assets	<u><u>\$ 4,969,398</u></u>	<u><u>\$ 5,415,112</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 104,897	\$ 26,763
Accrued expenses	37,143	83,585
Note payable, current portion	45,736	41,802
Total current liabilities	<u>187,776</u>	<u>152,150</u>
Long-Term Liabilities:		
Note payable, less current portion	231,670	265,322
Net Assets:		
Unrestricted:		
Board designated	175,500	948,064
Other unrestricted	3,854,452	3,549,576
Temporarily restricted	520,000	500,000
Total net assets	<u>4,549,952</u>	<u>4,997,640</u>
Total Liabilities and Net Assets	<u><u>\$ 4,969,398</u></u>	<u><u>\$ 5,415,112</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS

Statement of Activities

Year Ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Donations:			
Bequests and other	461,798	\$ -	\$ 461,798
Animal Defense League Foundation	58,078	520,000	578,078
Direct mail	92,676	-	92,676
Grants	125,810	-	125,810
Medical services	273,009	-	273,009
Other revenues	114,917	-	114,917
Special events, net of expenses of \$846	3,000	-	3,000
Transfer and adoption fees	163,315	-	163,315
Realized and unrealized gains (losses)			
on investment securities	(4,213)	-	(4,213)
Dividends and interest, net of fees	54,317	-	54,317
Oil and gas revenue	51,852	-	51,852
Total revenues and support	<u>1,394,559</u>	<u>520,000</u>	<u>1,914,559</u>
Expenses			
Program	1,639,448	-	1,639,448
Management and general	697,244	-	697,244
Fundraising	25,556	-	25,556
Total expenses	<u>2,362,247</u>	<u>-</u>	<u>2,362,247</u>
Changes in Net Assets	(967,688)	520,000	(447,688)
Net assets released from restriction	500,000	(500,000)	-
Net assets at beginning of year	<u>4,497,640</u>	<u>500,000</u>	<u>4,997,640</u>
Net Assets at End of Year	<u>\$ 4,029,952</u>	<u>\$ 520,000</u>	<u>\$ 4,549,952</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Donations:			
Bequests and other	\$ 874,465	\$ -	\$ 874,465
Animal Defense League Foundation	63,058	500,000	563,058
Direct mail	102,679	-	102,679
Grants	63,905	-	63,905
Medical services	127,990	-	127,990
Memberships	509	-	509
Other revenues	76,621	-	76,621
Special events, net of expenses of \$29,495	34,385	-	34,385
Transfer and adoption fees	183,936	-	183,936
Realized and unrealized gains (losses)			
on investment securities	(42,587)	-	(42,587)
Dividends and interest, net of fees	78,381	-	78,381
Oil and gas revenue	11,833	-	11,833
Total revenues and support	<u>1,575,175</u>	<u>500,000</u>	<u>2,075,175</u>
Expenses			
Program	1,745,758	-	1,745,758
Management and general	478,030	-	478,030
Fundraising	54,274	-	54,274
Total expenses	<u>2,278,062</u>	<u>-</u>	<u>2,278,062</u>
Changes in Net Assets	(702,887)	500,000	(202,887)
Net assets released from restriction	520,000	(520,000)	-
Net assets at beginning of year	<u>4,680,527</u>	<u>520,000</u>	<u>5,200,527</u>
Net Assets at End of Year	<u>\$ 4,497,640</u>	<u>\$ 500,000</u>	<u>\$ 4,997,640</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2009

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2009 Totals</u>
Accounting	\$ -	\$ 18,423	\$ -	\$ 18,423
Advertising	12,743	-	-	12,743
Autos	11	2,424	-	2,435
Bank fees	-	11,056	-	11,056
Contract labor	188,501	-	-	188,501
Custodial expenses	19,007	-	-	19,007
Dues/subscriptions and education	-	1,801	-	1,801
Employee meals	3,719	-	-	3,719
Employee medical	40,686	13,562	-	54,248
Equipment rental	3,162	-	-	3,162
Hospital	364,311	-	-	364,311
Insurance	52,215	-	-	52,215
Interest	-	17,674	-	17,674
Items for resale	26,517	-	-	26,517
Kennel	57,129	-	-	57,129
Legal fees	-	16,692	-	16,692
Miscellaneous	9,290	14,791	60	24,141
Newsletter	-	112	-	112
Office expense	-	24,846	-	24,846
Payroll service	-	10,328	-	10,328
Payroll taxes	67,676	22,559	-	90,234
Pet cremation	767	-	-	767
Postage and printing	-	11,510	25,496	37,006
Professional services	-	33,161	-	33,161
Repairs and maintenance	40,098	-	-	40,098
Salaries	535,147	498,305	-	1,033,452
Security	1,452	-	-	1,452
Supplies	13,342	-	-	13,342
Taxes and licenses	4,246	-	-	4,246
Telephone	16,216	-	-	16,216
Utilities	63,225	-	-	63,225
Veterinary	12,133	-	-	12,133
Depreciation	107,855	-	-	107,855
	<u>\$ 1,639,448</u>	<u>\$ 697,244</u>	<u>\$ 25,556</u>	<u>\$ 2,362,247</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2008

	Program	Management and General	Fundraising	2008 Totals
Accounting	\$ -	\$ 21,279	\$ -	\$ 21,279
Advertising	7,256	-	-	7,256
Autos	10,367	-	-	10,367
Bank fees	-	13,971	-	13,971
Contract labor	142,134	-	-	142,134
Custodial expenses	26,234	-	-	26,234
Dues/subscriptions and education	-	7,705	-	7,705
Employee meals	334	-	-	334
Employee medical	33,638	11,213	-	44,851
Equipment rental	10,511	-	-	10,511
Hospital	321,234	-	-	321,234
Insurance	59,646	-	-	59,646
Interest	-	21,789	-	21,789
Items for resale	23,153	-	-	23,153
Kennel	49,745	-	-	49,745
Miscellaneous	5,559	22,144	6,188	33,891
Newsletter	-	-	-	-
Office expense	-	22,115	-	22,115
Payroll service	-	5,393	-	5,393
Payroll taxes	62,398	20,800	-	83,198
Pet cremation	1,627	-	-	1,627
Postage and printing	-	18,188	48,086	66,274
Repairs and maintenance	46,840	-	-	46,840
Salaries	734,464	313,433	-	1,047,897
Security	1,392	-	-	1,392
Supplies	2,983	-	-	2,983
Taxes and licenses	7,546	-	-	7,546
Telephone	10,336	-	-	10,336
Utilities	73,973	-	-	73,973
Veterinary	6,840	-	-	6,840
Depreciation	107,548	-	-	107,548
Total Expenses	\$ 1,745,758	\$ 478,030	\$ 54,274	\$ 2,278,062

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Cash Flows
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Operating Activities		
Change in net assets	\$ (447,688)	\$ (202,887)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	107,855	107,548
Unrealized (gain)/loss on investments	(12,418)	42,587
Changes in operating assets and liabilities:		
Accounts receivable from ADL Foundation	(78,078)	20,000
Annuity receivable	47,368	44,526
Other receivables	(48,765)	(20,370)
Inventory	-	-
Accounts payable and accrued expenses	31,692	2,643
Net cash (used) by operating activities	<u>(400,034)</u>	<u>(5,953)</u>
Investing Activities		
Net sales of investments	702,303	204,506
Purchases of property and equipment	<u>(233,930)</u>	<u>(207,446)</u>
Net cash provided (used) by investing activities	468,373	(2,940)
Financing Activities		
Payments on long-term debt	<u>(29,718)</u>	<u>(38,835)</u>
Net cash (used) by financing activities	<u>(29,718)</u>	<u>(38,835)</u>
Change in cash and cash equivalents	38,621	(47,728)
Cash at beginning of year	<u>48,410</u>	<u>96,138</u>
Cash at End of Year	<u><u>\$ 87,031</u></u>	<u><u>\$ 48,410</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 17,674	\$ 21,789
Income taxes paid in cash	-	-

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2009 and 2008

NOTE A – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Organization and Mission: The Animal Defense League of Texas (the League) is incorporated in the State of Texas as a not-for-profit corporation. Its primary mission is finding homes for abandoned animals, preventing cruelty to animals, and promoting humane and kind treatment. The League operates from its facility on Nacogdoches Road in San Antonio, Texas.

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. Assets restricted solely through actions of the Board are reported as designated, unrestricted net assets.

Temporarily Restricted Net Assets: Net assets subject to donor-imposed stipulations that will be met by actions of the League 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 League. Generally, the donors of these assets permit the League to use all or part of the income earned on any related investments for general or specific purposes. There were no permanently restricted net assets at December 31, 2009 and 2008.

Contributions: Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, such assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Contributions received with donor restrictions whose restrictions are met in the same reporting period are generally reported as unrestricted support.

Gifts of equipment are reported 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, and gifts of cash or other assets that must be used to acquire long-lived assets, 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.

Functional Allocation of Expenses: The costs of providing the services and other activities are summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

Advertising: Advertising and marketing costs are expensed as incurred and totaled approximately \$12,700 in 2009 and \$7,300 in 2008.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2009 and 2008

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.

Contributions 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. No allowance was deemed necessary for 2009 and 2008.

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

Investments: Investments are reported at fair market value determined by quoted market prices. Investment interest and dividends are reported net of fees of approximately \$2,500 in 2009 and \$1,500 in 2008.

Property and Equipment: Property and equipment is valued 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 five years for furniture, equipment and vehicles).

Income Taxes: The League is a not-for-profit organization exempt from federal income taxation under Section 501(c) (3) of the Internal Revenue Code. In addition, the League has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. The League is not subject to the Texas margin tax.

Donated Services and Materials: The League receives donated services and materials from a variety of sources. These services and materials are reported as contribution revenues and other expenses in the Statement of Activities, and totaled approximately \$10,000 in 2009 and \$0 in 2008.

Employee Benefit Plan: The League has a 403(b) plan that covers substantially all employees. Employees may contribute a percentage of their annual compensation as allowed by the internal revenue code. The League matches a portion of employees' contributions on an annual basis, subject to Board approval. The League did not contribute to the Plan in 2009. It contributed approximately \$5,600 in 2008.

Concentrations of Credit Risk: Financial instruments that potentially subject the League to concentrations of credit risk consist principally of cash and investments. The League 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 League periodically accesses the financial condition of the institutions and believes the risk of any loss is minimal. Concentration of credit risk with respect to its investments is reduced as a result of the diversity of the underlying securities.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

New Accounting Pronouncements: Management is not aware of any new accounting pronouncements that have been released, and are not yet effective, which will have a significant impact to its financial position or results of operations in future periods.

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.

Reclassifications: Certain reclassifications, none of which are significant, have been made to the prior year's financial statements in order to conform to the current presentation.

NOTE B – ANNUITY RECEIVABLE

The League is the beneficiary of an annuity gifted to it in 2002 for which it receives \$5,042 per month for 10 years beginning June 30, 2003. The Board has designated these funds to be used for payment on its note payable to Broadway Bank. The annuity receivable is summarized as follows at December 31:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 50,392	\$ 47,368
Receivable in one to five years	<u>135,461</u>	<u>185,853</u>
Total annuity receivable	<u>\$ 185,853</u>	<u>\$ 233,221</u>

NOTE C – DONATED PERSONAL SERVICES

The League benefits from the assistance of many volunteers. In accordance with *generally accepted accounting principles*, the value of contributed services received are recognized if they (a) create or enhance a nonfinancial asset or (b) required specialized skills, provided by individuals possessing those skills, that would be purchased if they were not donated. The League receives a substantial number of volunteers and volunteer hours each year. However, since the volunteer assistance received by the League during 2009 and 2008 does not meet these criteria, the League did not recognize the value of assistance in its financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2009 and 2008

NOTE D – ANIMAL DEFENSE LEAGUE FOUNDATION and TEMPORARILY RESTRICTED NET ASSETS

The Animal Defense League Foundation (the Foundation) was established to provide support for the League. The Foundation has a separate Board of Trustees (although some members do serve on both Boards) and is a legally separate entity. Under the terms of the estate which created the Foundation, the League is the sole beneficiary of the Foundation. Ordinary income earned by the Foundation during the year is donated to the League in the next year; therefore, under the accrual basis of accounting, the League recognized \$520,000 in 2009, which was earned by the Foundation in 2009 but will be received by the League in 2010.

This receivable is reported as temporarily restricted.

NOTE E – NOTE PAYABLE

The League has a note payable to the Broadway Bank for the construction of dog kennels. The note matures on April 1, 2019, and is collateralized by property. The note has an adjusted rate of interest based on the Federal Home Loan Bank rates plus 2.75%. The adjusted rate of interest was 6.15% as of December 31, 2009. As of December 31, 2009, the principal balance of this note is \$277,406.

Maturities of principal on long-term debt are as follows:

2010	\$ 45,736
2011	48,646
2012	51,741
2013	55,033
2014	58,375
Thereafter	<u>17,875</u>
	<u>\$ 277,406</u>

NOTE F – OPERATING LEASES

The League leases certain equipment under operating leases which expire at various dates through April 2010. Some of the leases contain options to renew for various terms. The League also pays insurance and maintenance expenses related to these leases. At December 31, 2009, the minimum rental commitments under operating leases are as follows:

Year Ending December 31,

2010	\$ 1,452
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The League paid rent expense of approximately \$3,200 in 2009 and \$10,500 in 2008.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2009 and 2008

NOTE G – FAIR VALUE MEASUREMENTS

Generally accepted accounting principle has established a hierarchy for 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 developed 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 developed 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 Fair Value measurement Standard requires financial assets and liabilities to be classified based on the lowest level of input that is significant to the fair value measurement. The assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels. The following table presents financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2009, by level within the fair value hierarchy:

	<u>Fair Value Measurements Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:			
Money market	\$ 645,723	\$ -	\$ -
Mutual funds	392,906	-	-
Equity securities	80,958	-	-
Fixed income securities	<u>175,500</u>	<u>-</u>	<u>-</u>
Total investment	<u>\$ 1,295,087</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE H – CONTINGENCY

The League is involved in various claims from time to time. Management does not expect any such matters in which it is currently involved to result in a significant loss.