

ANIMAL DEFENSE LEAGUE OF TEXAS

Audited Financial Statements

December 31, 2013

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

ANIMAL DEFENSE LEAGUE
Table of Contents
December 31, 2013 and 2012

	<u>Page</u>
Audited Financial Statements	
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Audited Financial Statements	10



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Animal Defense League of Texas, which comprise the statements of financial position of as of December 31, 2013 and 2012, 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 of material misstatements.

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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

MAIN OFFICE

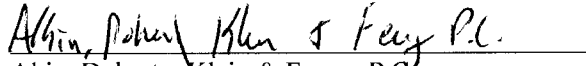
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Animal Defense League of Texas as of December 31, 2013 and 2012, 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

May 30, 2014

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 99,140	\$ 119,610
Receivables:		
Animal Defense League Foundation	849,599	514,008
Annuity, current portion	-	24,823
Other contributions	2,915	3,922
Inventory	106,914	76,627
Investments, at fair market value	1,914,178	1,581,758
Total current assets	<u>2,972,746</u>	<u>2,320,748</u>
Property and Equipment:		
Land	391,752	391,752
Buildings	2,260,759	2,248,864
Building improvements	1,305,715	1,203,146
Pet park	93,808	93,808
Office furniture and equipment	578,941	526,653
Vehicles	63,829	63,829
Total property and equipment	4,694,804	4,528,052
Less accumulated depreciation	<u>(2,009,920)</u>	<u>(1,874,061)</u>
Net property and equipment	<u>2,684,884</u>	<u>2,653,991</u>
Total Assets	<u><u>\$ 5,657,630</u></u>	<u><u>\$ 4,974,739</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 76,895	\$ 126,902
Accrued expenses	90,527	64,725
Note payable, current portion	<u>-</u>	<u>32,712</u>
Total current liabilities	167,422	224,339
Long-Term Liabilities:		
Note payable, less current portion	-	103,978
Net Assets:		
Unrestricted:		
Board designated	855,404	682,445
Undesignated - available for general operations	<u>3,789,254</u>	<u>3,449,969</u>
Total unrestricted	4,644,658	4,132,414
Temporarily restricted	<u>845,550</u>	<u>514,008</u>
Total net assets	<u>5,490,208</u>	<u>4,646,422</u>
 Total Liabilities and Net Assets	 <u><u>\$ 5,657,630</u></u>	 <u><u>\$ 4,974,739</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Donations:			
Bequests and other	\$ 1,213,375	\$ -	\$ 1,213,375
Animal Defense League Foundation	-	845,550	845,550
Direct mail	216,692	-	216,692
Grants	163,313	-	163,313
Medical services, net of costs of \$165,129	354,146	-	354,146
Other revenues	110,713	-	110,713
Special events, net of expenses of \$13,446	81,164	-	81,164
Transfer and adoption fees	174,887	-	174,887
Realized and unrealized gains			
on investment securities	221,430	-	221,430
Dividends and interest, net of fees	31,680	-	31,680
Oil and gas revenue	38,525	-	38,525
Total revenues and support	<u>2,605,925</u>	<u>845,550</u>	<u>3,451,475</u>
Expenses			
Program:			
Adoption center	442,091	-	442,091
Shelter	733,314	-	733,314
Hospital	922,949	-	922,949
Total program expenses	<u>2,098,354</u>	<u>-</u>	<u>2,098,354</u>
Management and general	351,344	-	351,344
Fundraising	157,991	-	157,991
Total expenses	<u>2,607,689</u>	<u>-</u>	<u>2,607,689</u>
Changes in Net Assets	(1,764)	845,550	843,786
Net assets released from restriction	514,008	(514,008)	-
Net assets at beginning of year	<u>4,132,414</u>	<u>514,008</u>	<u>4,646,422</u>
Net Assets at End of Year	<u>\$ 4,644,658</u>	<u>\$ 845,550</u>	<u>\$ 5,490,208</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Donations:			
Bequests and other	\$ 982,584	\$ -	\$ 982,584
Animal Defense League Foundation	-	514,008	514,008
Direct mail	189,016	-	189,016
Grants	21,560	-	21,560
Medical services, net of costs of \$237,898	261,446	-	261,446
Other revenues	85,115	-	85,115
Special events, net of expenses of \$28,537	87,737	-	87,737
Transfer and adoption fees	234,330	-	234,330
Realized and unrealized gains			
on investment securities	54,663	-	54,663
Dividends and interest, net of fees	34,213	-	34,213
Oil and gas revenue	87,102	-	87,102
Total revenues and support	<u>2,037,766</u>	<u>514,008</u>	<u>2,551,774</u>
Expenses			
Program:			
Adoption center	453,028	-	453,028
Shelter	704,272	-	704,272
Hospital	831,573	-	831,573
Total program expenses	<u>1,988,873</u>	<u>-</u>	<u>1,988,873</u>
Management and general	282,869	-	282,869
Fundraising	177,636	-	177,636
Total expenses	<u>2,449,378</u>	<u>-</u>	<u>2,449,378</u>
Changes in Net Assets	(411,612)	514,008	102,396
Net assets released from restriction	508,000	(508,000)	-
Net assets at beginning of year	<u>4,036,026</u>	<u>508,000</u>	<u>4,544,026</u>
Net Assets at End of Year	<u>\$ 4,132,414</u>	<u>\$ 514,008</u>	<u>\$ 4,646,422</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2013

	Adoption Center	Shelter	Hospital	Management and General	Fundraising	2013 Total
Accounting	\$ -	\$ -	\$ -	\$ 950	\$ -	\$ 950
Advertising	264	-	-	29,345	-	29,609
Autos	6,023	6,023	6,023	-	-	18,069
Bad debt	-	-	-	-	-	-
Bank fees	-	-	-	38,594	-	38,594
Contract labor	11,449	11,449	155,716	-	-	178,614
Custodial expenses	-	4,986	-	-	-	4,986
Dues/subscriptions and education	-	49	-	2,640	-	2,689
Employee meals	6,151	-	-	-	-	6,151
Employee medical	6,616	7,080	11,126	34,826	-	59,648
Equipment rental	3,002	-	-	-	-	3,002
Hospital	-	-	244,322	-	-	244,322
Insurance	7,817	29,317	11,727	-	-	48,861
Interest	-	-	-	10,802	-	10,802
Kennel	-	61,907	-	-	-	61,907
Legal fees	-	-	-	5,835	-	5,835
Miscellaneous	1,692	1,691	-	2,468	2,593	8,444
Newsletter	-	-	-	671	-	671
Office expense	-	-	-	29,373	-	29,373
Payroll service	-	-	-	24,862	-	24,862
Payroll taxes	16,519	32,630	35,538	18,530	9,257	112,474
Pet cremation	-	-	990	-	-	990
Postage and printing	-	-	-	4,457	64,010	68,467
Professional services	-	-	-	21,262	-	21,262
Repairs and maintenance	16,951	33,903	16,951	-	-	67,805
Salaries	310,092	398,729	387,397	126,729	82,131	1,305,078
Security	1,225	-	1,225	-	-	2,450
Supplies	7,832	3,915	3,915	-	-	15,662
Taxes and licenses	2,011	-	-	-	-	2,011
Telephone	9,504	4,752	4,752	-	-	19,008
Utilities	24,192	24,193	24,193	-	-	72,578
Veterinary	-	-	6,656	-	-	6,656
Depreciation	10,751	112,690	12,418	-	-	135,859
Total Expenses	\$ 442,091	\$ 733,314	\$ 922,949	\$ 351,344	\$ 157,991	\$ 2,607,689

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2012

	Adoption Center	Shelter	Hospital	Management and General	Fundraising	2012 Total
Accounting	\$ -	\$ -	\$ -	\$ 3,600	\$ -	\$ 3,600
Advertising	-	-	-	9,944	-	9,944
Autos	6,775	5,346	5,346	-	-	17,467
Bad debt	-	-	-	-	38,000	38,000
Bank fees	-	-	-	32,263	-	32,263
Contract labor	9,729	9,729	190,913	-	-	210,371
Custodial expenses	-	5,164	-	-	-	5,164
Dues/subscriptions and education	-	-	-	800	-	800
Employee meals	6,072	-	-	-	-	6,072
Employee medical	6,885	15,796	12,189	17,093	-	51,963
Equipment rental	1,612	-	-	-	-	1,612
Hospital	-	-	208,791	-	-	208,791
Insurance	8,146	30,546	12,218	-	-	50,910
Interest	-	-	-	18,120	-	18,120
Kennel	-	54,272	-	-	-	54,272
Legal fees	-	-	-	350	-	350
Miscellaneous	10,052	10,000	-	252	4,446	24,750
Newsletter	-	-	-	769	-	769
Office expense	-	-	-	19,140	-	19,140
Payroll service	-	-	-	23,195	-	23,195
Payroll taxes	20,646	33,148	28,263	13,036	6,517	101,610
Pet cremation	-	-	994	-	-	994
Postage and printing	-	-	-	3,114	43,942	47,056
Professional services	-	-	-	20,503	-	20,503
Repairs and maintenance	18,726	37,451	18,726	-	-	74,903
Salaries	310,169	369,947	308,432	120,690	84,731	1,193,969
Security	767	-	767	-	-	1,534
Supplies	6,016	3,008	3,008	-	-	12,032
Taxes and licenses	2,396	-	-	-	-	2,396
Telephone	6,552	3,276	3,275	-	-	13,103
Utilities	23,513	23,513	23,514	-	-	70,540
Veterinary	-	-	2,988	-	-	2,988
Depreciation	14,972	103,076	12,149	-	-	130,197
Total Expenses	\$ 453,028	\$ 704,272	\$ 831,573	\$ 282,869	\$ 177,636	\$ 2,449,378

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Cash Flows
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating Activities		
Change in net assets	\$ 843,786	\$ 102,396
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,859	130,197
Unrealized (gain) on investments	(221,430)	(54,663)
Changes in operating assets and liabilities:		
Accounts receivable from ADL Foundation	(335,591)	(44,269)
Annuity receivable	24,823	57,030
Other receivables	1,007	16,078
Inventory	(30,287)	(21,510)
Accounts payable and accrued expenses	(24,205)	20,190
Net cash provided by operating activities	<u>393,962</u>	<u>205,449</u>
Investing Activities		
Net investment activity	(110,990)	(101,780)
Purchases of property and equipment	<u>(166,752)</u>	<u>(63,502)</u>
Net cash (used) by investing activities	(277,742)	(165,282)
Financing Activities		
Payments on long-term debt	<u>(136,690)</u>	<u>(50,186)</u>
Net cash (used) by financing activities	<u>(136,690)</u>	<u>(50,186)</u>
Change in cash and cash equivalents	(20,470)	(10,019)
Cash at beginning of year	<u>119,610</u>	<u>129,629</u>
Cash at End of Year	<u><u>\$ 99,140</u></u>	<u><u>\$ 119,610</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 10,802	\$ 18,120
Income taxes paid in cash	-	-

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2013 and 2012

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, 2013 and 2012.

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 \$30,000 in 2013 and \$10,000 in 2012.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2013 and 2012

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 2013 and 2012.

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 \$31,000 in 2013 and 2012.

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. 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.

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 were not significant in 2013 and 2012. See Note C.

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 2013 and 2012.

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, mutual funds, Government Securities and high-rated corporate bonds and 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, 2013 and 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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: 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 amounts for 2012 have been reclassified for comparative purposes to 2013.

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 matured in 2013.

	2013	2012
Receivable in less than one year	\$ -	\$ 24,823
Receivable in one to five years	-	-
Total annuity receivable	<u>\$ -</u>	<u>\$ 24,823</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 2013 and 2012 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, 2013 and 2012

NOTE D – ANIMAL DEFENSE LEAGUE FOUNDATION

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. The Foundation donates to the League an amount equal to 3.5% of the fair market value of the Foundation's investment account at year end. Under the accrual basis of accounting, the League recognized \$845,550 in 2013, which was 3.5% of the fair market value of the Foundation's investment account at December 31, 2013. This amount will be received by the League in 2014. This receivable is reported as temporarily restricted.

NOTE E – NOTE PAYABLE

The League had a note payable to Broadway Bank for the construction of dog kennels. The note was collateralized by property. The note had an adjusted rate of interest based on the Federal Home Loan Bank rates plus 2.75%. The note payable was paid in full in 2013.

NOTE F – OPERATING LEASES

The League entered into a sixty (60) month operating lease for copiers on September 1, 2010. The minimum monthly payment for the equipment is \$1,097 per month. At December 31, 2013, the minimum rental commitments under operating leases are as follows:

Year Ending December 31:

2014	\$	13,164
2015		8,776

The League paid rent expense of approximately \$21,600 in 2013 and \$15,600 in 2012.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2013 and 2012

NOTE G – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the League provides a fair value hierarchy that prioritizes the inputs for the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the League has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- quoted prices for similar assets or liabilities in active markets
 - quoted prices for identical or similar assets or liabilities in inactive markets
 - inputs other than quoted prices that are observable for the asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
 - if the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 table sets forth by level, within the fair value hierarchy, the League's investment portfolio at fair value:

December 31, 2012	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 431,255	\$ -	\$ -	\$ 431,255
Certificates of deposit	127,516	-	-	127,516
Bonds:				
Corporate	-	150,228	-	150,228
Equity securities:				
Common stock - domestic	747,563	-	-	747,563
Common stock - foreign	75,580	-	-	75,580
Mutual funds:				
Equity	1,918	-	-	1,918
Fixed income - domestic	18,252	-	-	18,252
Fixed income - foreign	29,446	-	-	29,446
Total investments, at fair value:	<u>\$ 1,431,530</u>	<u>\$ 150,228</u>	<u>\$ -</u>	<u>\$ 1,581,758</u>

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2013 and 2012

NOTE G – FAIR VALUE MEASUREMENTS - continued

December 31, 2012	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Money market	\$ 431,255	\$ -	\$ -	\$ 431,255
Certificates of deposit	127,516	-	-	127,516
Bonds:				
Corporate	-	150,228	-	150,228
Equity securities:				
Common stock - domestic	747,563	-	-	747,563
Common stock - foreign	75,580	-	-	75,580
Mutual funds:				
Equity	1,918	-	-	1,918
Fixed income - domestic	18,252	-	-	18,252
Fixed income - foreign	29,446	-	-	29,446
Total investments, at fair value:	<u>\$ 1,431,530</u>	<u>\$ 150,228</u>	<u>\$ -</u>	<u>\$ 1,581,758</u>

Gains and losses (realized and unrealized) are included in changes in net assets.

There have been no changes in methodologies used during 2013 and 2012. Following is a description of the valuation methodologies used for various types of assets measured at fair value:

Money Market Funds (MMFs): Valued at its carry amount due to the short-term maturity of the instruments.

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

Mutual Funds: Valued at the net asset value (NAV) of shares held by the League at year end.

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 League 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.

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.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2013 and 2012

NOTE I – CITY OF SAN ANTONIO LEASES

In 2013, the League entered into a funding agreement and various leases related to the building of a kennel facility located on League property. The kennels will be paid by the City of San Antonio (COSA) using bond proceeds. COSA will fund construction of the kennels up to \$2.13 million. Any construction costs which exceed that amount are the responsibility of the League. COSA, the owner of the kennels, will lease the real estate which the kennels will be built on from the League for a 25 year period. The League will lease the kennels from COSA for the same 25 year period. The League will operate the kennels to ensure the rescue of animals in the greater San Antonio area. After the 25 year lease term, ownership of the facility will be transferred to the League. The lease of the kennel facilities will be accounted for as an operating lease in these financial statements. Construction is expected to be completed by the end of 2014.