

ANIMAL DEFENSE LEAGUE OF TEXAS

Audited Financial Statements

December 31, 2015

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

ANIMAL DEFENSE LEAGUE
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December 31, 2015 and 2014

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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, 2015 and 2014, 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.

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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, 2015 and 2014, 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 6, 2016

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,241,671	\$ 140,741
Receivables:		
Animal Defense League Foundation	828,524	878,465
Other contributions	504,689	20,053
Inventory	143,273	283,373
Investments, at fair market value	1,341,737	1,261,550
Total current assets	<u>4,059,894</u>	<u>2,584,182</u>
Property and Equipment:		
Land	391,752	391,752
Buildings	2,254,535	2,260,759
Building improvements	2,199,063	1,990,157
Pet park	93,808	93,808
Office furniture and equipment	735,178	647,421
Vehicles	70,687	63,829
Total property and equipment	<u>5,745,023</u>	<u>5,447,726</u>
Less accumulated depreciation	<u>(2,370,747)</u>	<u>(2,174,055)</u>
Net property and equipment	<u>3,374,276</u>	<u>3,273,671</u>
 Total Assets	 <u><u>\$ 7,434,170</u></u>	 <u><u>\$ 5,857,853</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 154,999	\$ 351,539
Accrued expenses	<u>115,913</u>	<u>142,303</u>
Total current liabilities	270,912	493,842
Net Assets:		
Unrestricted:		
Board designated	573,113	932,121
Undesignated - available for general operations	<u>5,653,221</u>	<u>3,443,425</u>
Total unrestricted	6,226,334	4,375,546
Temporarily restricted	<u>936,924</u>	<u>988,465</u>
Total net assets	<u>7,163,258</u>	<u>5,364,011</u>
 Total Liabilities and Net Assets	 <u><u>\$ 7,434,170</u></u>	 <u><u>\$ 5,857,853</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues and Support			
Donations:			
Bequests and other	\$ 3,847,242	\$ -	\$ 3,847,242
Animal Defense League Foundation	-	828,524	828,524
Direct mail	221,074	-	221,074
Grants	161,617	38,900	200,517
Medical services, net of costs of \$262,943	132,064	-	132,064
Other revenues	113,501	-	113,501
Special events, net of expenses of \$18,902	186,398	-	186,398
Transfer and adoption fees	315,480	-	315,480
Realized and unrealized loss on investment securities	(13,719)	-	(13,719)
Dividends and interest, net of fees	25,425	-	25,425
Oil and gas revenue	13,883	-	13,883
In-kind revenue	18,377	-	18,377
Total revenues and support	<u>5,021,342</u>	<u>867,424</u>	<u>5,888,766</u>
Expenses			
Program:			
Adoption center	703,954	-	703,954
Shelter	1,108,951	-	1,108,951
Hospital	1,503,880	-	1,503,880
Total program expenses	<u>3,316,785</u>	<u>-</u>	<u>3,316,785</u>
Management and general	611,850	-	611,850
Fundraising	160,884	-	160,884
Total expenses	<u>4,089,519</u>	<u>-</u>	<u>4,089,519</u>
Changes in Net Assets	931,823	867,424	1,799,247
Net assets released from restriction	918,965	(918,965)	-
Net assets at beginning of year	<u>4,375,546</u>	<u>988,465</u>	<u>5,364,011</u>
Net Assets at End of Year	<u>\$ 6,226,334</u>	<u>\$ 936,924</u>	<u>\$ 7,163,258</u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Activities
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Support			
Donations:			
Bequests and other	\$ 916,454	\$ 100,000	\$ 1,016,454
Animal Defense League Foundation	-	878,465	878,465
Direct mail	209,238	-	209,238
Grants	75,695	20,000	95,695
Medical services, net of costs of \$86,407	373,987	-	373,987
Other revenues	86,037	-	86,037
Special events, net of expenses of \$693	116,162	-	116,162
Transfer and adoption fees	217,335	-	217,335
Realized and unrealized gains			
on investment securities	73,724	-	73,724
Dividends and interest, net of fees	33,635	-	33,635
Oil and gas revenue	30,516	-	30,516
Total revenues and support	<u>2,132,783</u>	<u>998,465</u>	<u>3,131,248</u>
Expenses			
Program:			
Adoption center	588,474	-	588,474
Shelter	891,608	-	891,608
Hospital	1,245,544	-	1,245,544
Total program expenses	<u>2,725,626</u>	<u>-</u>	<u>2,725,626</u>
Management and general	362,486	-	362,486
Fundraising	169,333	-	169,333
Total expenses	<u>3,257,445</u>	<u>-</u>	<u>3,257,445</u>
Changes in Net Assets	(1,124,662)	998,465	(126,197)
Net assets released from restriction	855,550	(855,550)	-
Net assets at beginning of year	<u>4,644,658</u>	<u>845,550</u>	<u>5,490,208</u>
Net Assets at End of Year	<u><u>\$ 4,375,546</u></u>	<u><u>\$ 988,465</u></u>	<u><u>\$ 5,364,011</u></u>

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2015

	Adoption Center	Shelter	Hospital	Management and General	Fundraising	2015 Total
Accounting	\$ -	\$ -	\$ -	\$ 2,252	\$ -	\$ 2,252
Advertising	-	-	-	23,616	-	23,616
Autos	4,262	4,262	4,262	-	-	12,786
Bank fees	-	-	-	58,027	-	58,027
Contract labor	20,066	-	15,966	-	-	36,032
Custodial expenses	-	3,454	-	-	-	3,454
Dues/subscriptions and education	-	-	-	1,422	-	1,422
Employee meals	3,180	-	-	-	-	3,180
Employee medical	16,170	34,084	50,648	43,652	-	144,554
Equipment rental	6,456	-	-	-	-	6,456
Hospital	-	-	388,985	-	-	388,985
In-kind expense	-	18,377	-	-	-	18,377
Insurance	15,484	58,067	23,227	-	-	96,778
Interest	-	-	-	3,331	-	3,331
Kennel	-	57,585	-	-	-	57,585
Legal fees	-	-	-	257,800	-	257,800
Miscellaneous	23,394	-	-	1,702	5,786	30,882
Office expense	-	-	-	47,027	-	47,027
Payroll service	-	-	-	14,211	-	14,211
Payroll taxes	30,711	48,272	70,148	11,730	7,541	168,402
Pet cremation	-	-	2,829	-	-	2,829
Postage and printing	-	-	-	3,710	68,235	71,945
Professional services	-	-	-	7,535	-	7,535
Repairs and maintenance	23,849	47,699	12,746	-	-	84,294
Salaries	478,231	618,558	863,051	135,835	79,322	2,174,997
Security	580	-	580	-	-	1,160
Supplies	8,122	4,060	4,060	-	-	16,242
Taxes and licenses	302	-	-	-	-	302
Telephone	16,141	8,071	8,071	-	-	32,283
Utilities	41,064	41,064	41,064	-	-	123,192
Veterinary	-	-	308	-	-	308
Depreciation	15,942	165,398	17,935	-	-	199,275
Total Expenses	\$ 703,954	\$ 1,108,951	\$ 1,503,880	\$ 611,850	\$ 160,884	\$ 4,089,519

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statement of Functional Expenses
Year Ended December 31, 2014

	Adoption Center	Shelter	Hospital	Management and General	Fundraising	2014 Total
Accounting	\$ -	\$ -	\$ -	\$ 1,075	\$ -	\$ 1,075
Advertising	104	-	-	7,103	-	7,207
Autos	5,569	5,569	5,569	-	-	16,707
Bank fees	-	-	-	35,369	-	35,369
Contract labor	30,515	-	23,164	-	-	53,679
Custodial expenses	3,492	4,986	-	-	-	8,478
Dues/subscriptions and education	-	-	-	695	-	695
Employee meals	4,132	-	-	-	-	4,132
Employee medical	21,556	7,080	25,154	38,338	-	92,128
Equipment rental	3,820	-	-	-	-	3,820
Hospital	-	-	361,826	-	-	361,826
Insurance	8,406	31,523	12,609	-	-	52,538
Interest	-	-	-	6,747	-	6,747
Kennel	-	75,498	-	-	-	75,498
Legal fees	-	-	-	5,570	-	5,570
Miscellaneous	1,728	-	-	5,615	10,016	17,359
Office expense	-	-	-	39,666	-	39,666
Payroll service	-	-	-	32,725	-	32,725
Payroll taxes	33,324	60,741	56,922	11,880	7,637	170,504
Pet cremation	-	-	1,335	-	-	1,335
Postage and printing	-	-	-	2,309	62,198	64,507
Professional services	-	-	-	32,893	-	32,893
Repairs and maintenance	28,251	56,502	28,251	-	-	113,004
Salaries	378,552	471,391	662,845	142,501	89,482	1,744,771
Security	730	-	730	-	-	1,460
Supplies	6,582	3,291	3,291	-	-	13,164
Taxes and licenses	3,104	-	-	-	-	3,104
Telephone	13,367	6,684	6,684	-	-	26,735
Utilities	32,111	32,111	32,111	-	-	96,333
Veterinary	-	-	10,281	-	-	10,281
Depreciation	13,131	136,232	14,772	-	-	164,135
Total Expenses	\$ 588,474	\$ 891,608	\$ 1,245,544	\$ 362,486	\$ 169,333	\$ 3,257,445

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Statements of Cash Flows
Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Activities		
Change in net assets	\$ 1,799,247	\$ (126,197)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	199,275	164,135
Unrealized (gain) loss on investments	13,719	(73,724)
Changes in operating assets and liabilities:		
Accounts receivable from ADL Foundation	49,941	(28,866)
Other contributions	(484,636)	(17,138)
Inventory	140,100	(176,459)
Accounts payable and accrued expenses	(222,930)	326,420
Net cash provided by operating activities	<u>1,494,716</u>	<u>68,171</u>
Investing Activities		
Net investment activity	(93,906)	726,352
Proceeds from insurance settlements	16,190	-
Purchases of property and equipment	(316,070)	(752,922)
Net cash (used) by investing activities	<u>(393,786)</u>	<u>(26,570)</u>
Change in cash and cash equivalents	1,100,930	41,601
Cash and cash equivalents at beginning of year	<u>140,741</u>	<u>99,140</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 1,241,671</u></u>	<u><u>\$ 140,741</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 3,331	\$ 6,747
Income taxes paid in cash	-	-

See notes to audited financial statements.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2015 and 2014

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 are more restrictive than the organization's mission and purpose 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, 2015 and 2014.

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 \$24,000 in 2015 and \$7,000 in 2014.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2015 and 2014

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 2015 and 2014.

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 \$7,000 in 2015 and \$9,000 in 2014. Gains and losses (realized and unrealized) are included in the accompanying statement of activities.

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 include in-kind contributions of dog food and volunteer hours. The dog food is valued based on the estimated fair market value on the date of contribution. The dog food is reported as an in-kind contribution on the Statement of Activities. See Note B for volunteer hours.

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 2015 and 2014.

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, 2015 and 2014

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: 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. A lessee will be required to recognize on the balance sheet the assets and liabilities for leases with lease terms of more than 12 months. Management is currently evaluating the effect this pronouncement will have on the financial statements and related disclosures.

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.

NOTE B – DONATED PERSONAL SERVICES

The League benefits from the assistance of many volunteers. In accordance with *generally accepted accounting principles (GAAP)*, 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 2015 and 2014 does not meet these criteria, the League did not recognize the value of assistance in its financial statements.

NOTE C – 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. In accordance with GAAP, consolidation is not required. The Foundation currently donates to the League the minimum distribution for a supporting organization. Under the accrual basis of accounting, the League recognized \$828,524 in 2015 and \$878,465 in 2014, and will be received by the League in the respective subsequent year. The receivables are reported as temporarily restricted.

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2015 and 2014

NOTE D – OPERATING LEASES

The League entered into a sixty (60) month operating lease for copiers on June 26, 2013. The minimum monthly payment for the equipment is \$1,869 per month. The League added a copier and amended the lease on February 5, 2015. The amended lease is a sixty (60) month operating lease commencing at the time of amendment. The minimum monthly payment increased to \$2,098 per month. At December 31, 2015, the minimum rental commitments under operating leases are as follows:

Year Ending December 31:

2016	\$ 25,174
2017	25,174
2018	25,174
2019	25,174
2020	2,098

The League paid rent of approximately \$32,800 in 2015 and \$27,700 in 2014.

NOTE E – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the League utilizes 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:

ANIMAL DEFENSE LEAGUE OF TEXAS
Notes to Audited Financial Statements
December 31, 2015 and 2014

NOTE E – FAIR VALUE MEASUREMENTS - continued

<u>December 31, 2015</u>	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash:				
Money market	\$ 67,769	\$ -	\$ -	\$ 67,769
Certificates of deposit	50,177	-	-	50,177
Bonds:				
Municipal	-	25,638	-	25,638
Corporate	-	50,450	-	50,450
Equity securities:				
Common stock - domestic	728,952	-	-	728,952
Common stock - foreign	16,842	-	-	16,842
Exchange traded products	96,829	-	-	96,829
Mutual funds:				
Stock funds	143,845	-	-	143,845
Bond funds	96,807	-	-	96,807
Fixed income - domestic	43,190	-	-	43,190
Fixed income - foreign	21,238	-	-	21,238
Total investments, at fair value:	<u>\$ 1,265,649</u>	<u>\$ 76,088</u>	<u>\$ -</u>	<u>\$ 1,341,737</u>

December 31, 2014

Investments:				
Cash:				
Money market	\$ 52,658	\$ -	\$ -	\$ 52,658
Certificates of deposit	25,365	-	-	25,365
Bonds:				
Municipal	-	25,785	-	25,785
Corporate	-	76,006	-	76,006
Equity securities:				
Common stock - domestic	1,010,043	-	-	1,010,043
Common stock - foreign	18,300	-	-	18,300
Mutual funds:				
Fixed income - domestic	43,487	-	-	43,487
Fixed income - foreign	9,906	-	-	9,906
Total investments, at fair value:	<u>\$ 1,159,759</u>	<u>\$ 101,791</u>	<u>\$ -</u>	<u>\$ 1,261,550</u>

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NOTE E – FAIR VALUE MEASUREMENTS - continued

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

Cash: Valued at its carry amount due to the short-term maturity of the instruments.

Bonds: Valued at the quoted price for identical or similar bond, generally in an inactive market.

Equity 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).

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 F – 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.

NOTE G – 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, leases the real estate which house the kennels from the League for a 25 year period. The League leases the kennels from COSA for the same 25 year period. The League operates 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 is accounted for as an operating lease in these financial statements. The kennels were completed in 2014.