

**HUMANE SOCIETY OF EL PASO, INC.**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
YEARS ENDED DECEMBER 31, 2016 AND 2015**

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Humane Society of El Paso, Inc.

We have audited the accompanying financial statements of Humane Society of El Paso, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and cash flow for the year then ended, and the related notes to the financial statement.

**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 from material misstatement.

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

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

**Report on Summarized Comparative Information**

The summarized comparative information presented herein as of and for the year ended December 31, 2015, derived from those unaudited financial statements, has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of El Paso, Inc., as of December 31, 2016, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



El Paso, Texas  
May 2, 2018

HUMANE SOCIETY OF EL PASO, INC.STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

	2016	2015 Unaudited
<u>ASSETS</u>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 813,562	\$ 826,986
Investments	1,871,114	532,508
Accounts receivable	70,302	7,265
Prepaid expenses and other assets	12,034	1,208
<b>Total current assets</b>	<u>2,767,012</u>	<u>1,367,967</u>
<b>Property and equipment, net</b>	<u>2,921,190</u>	<u>3,058,166</u>
<b>TOTAL</b>	<u>\$ 5,688,202</u>	<u>\$ 4,426,133</u>
<u>LIABILITIES AND NET ASSETS</u>		
<b>Current Liabilities</b>		
Accounts payable	\$ 74,039	\$ 31,075
Accrued liabilities	23,994	12,926
<b>Total current liabilities</b>	<u>98,033</u>	<u>44,001</u>
<b>Unrestricted</b>	4,222,799	4,354,453
<b>Temporarily restricted</b>	1,367,370	27,679
<b>Total net assets</b>	<u>5,590,169</u>	<u>4,382,132</u>
<b>TOTAL</b>	<u>\$ 5,688,202</u>	<u>\$ 4,426,133</u>

See notes to financial statements and independent auditor's report.

HUMANE SOCIETY OF EL PASO, INC.STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015 Unaudited
<b>SUPPORT AND REVENUE</b>		
<b>Contributions</b>		
Donations general	\$ 211,121	\$ 362,003
Fundraising	268,495	263,503
Mail solicitation	73,054	86,201
Grants	14,297	-
Interest income	18,380	5,298
Royalties	1,531	-
Donated properties	14,286	-
Realized gain on investments	241	-
Other income	550	-
<b>Program Services</b>		
Adoptions	279,352	489,300
Crematory income	99,922	88,020
Impound fees	44,837	42,764
Volunteer program	18,094	6,619
General services income	20,620	44,109
Licensing collection	21,378	19,320
Other program services	14,935	23,728
Sales of goods	11,311	3,688
Legacies and bequests	414,869	1,253,351
Support and revenue	1,527,273	2,687,904
Net assets released from restriction	13,703	8,950
Total support and revenue	\$ 1,540,976	\$ 2,696,854
<b>Expenses:</b>		
Administration expenses	1,229,517	1,079,557
Veterinary expense	176,650	173,379
Kennel operations expense	151,413	192,900
Contribution generation expense	115,050	86,301
Total expenses	1,672,630	1,532,137
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	(131,654)	1,164,717
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Contributions	1,353,394	25,411
Net assets released	(13,703)	(8,950)
Total increase in temporarily restricted net assets	1,339,691	16,461
<b>INCREASE IN NET ASSETS</b>	1,208,037	1,181,178
<b>NET ASSETS, Beginning of year</b>	4,382,132	3,200,954
<b>NET ASSETS, End of year</b>	\$ 5,590,169	\$ 4,382,132

See notes to financial statements and independent auditor's report.

HUMANE SOCIETY OF EL PASO, INC.STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015 Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net increase in net assets	\$ 1,208,037	\$ 1,181,178
Adjustments to reconcile net increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	211,776	170,459
Unrealized/ realized gain on investment	(8,506)	-
(Increase) decrease in operating assets:		
Accounts receivable	(63,037)	(3,810)
Prepaid expenses	(10,826)	(837)
Increase (decrease) in operating liabilities:		
Accounts payable	42,964	6,190
Accrued liabilities	11,068	(122,397)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>1,391,476</u>	<u>1,230,783</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	(74,801)	(325,546)
Purchase of investments	(1,330,099)	(532,508)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(1,404,900)</u>	<u>(858,054)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALS</b>	(13,424)	372,729
CASH, Beginning of year	<u>826,986</u>	<u>454,257</u>
CASH, End of year	<u>\$ 813,562</u>	<u>\$ 826,986</u>

See notes to financial statements and independent auditor's report.

HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Human Society of El Paso, Inc. (The Organization) is presented to assist in understanding the financial statement. The financial statement and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Purpose

The Humane Society of El Paso, Inc. is a not-for-profit organization founded in 1947 to prevent suffering, neglect, abuse and cruelty to animals, to provide information, raise public awareness of animal issues, and to promote responsible guardianship and kindness toward all living things. On January 1, 2010, the Humane Society of El Paso, Inc. opened its doors with a new philosophy and business model as a no-kill shelter. As a result, they expanded veterinary protocols to manage and treat a variety of animals that previously would have meant a death sentence. The Organization serves the El Paso area.

The Organization's main source of support and revenue comes from adoption fees and general donations.

Basis of Accounting and Presentation

The accompanying financial statement are presented on the accrual basis of accounting. The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, net assets, revenues and expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets

Unrestricted net assets represent resources that are not subject to donor-imposed stipulations and over which the Board of Directors has discretionary control. Unrestricted net assets are used to carry out the operations of the Organization in accordance with its bylaws. The principal sources of the unrestricted net assets are donations from individuals and corporations. Net assets received and expended within the reporting period are reported in the Statements of Activities as unrestricted support or revenue.



HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting and Presentation (Continued)

Temporarily Restricted Net Assets

Temporarily restricted net assets are those net assets resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Cash and Cash Equivalents

The Organization considers all demand deposits and highly liquid investments with original maturities of three months or less to be cash equivalents. As of December 31, 2016 and 2015, the cash equivalents totaled \$11,355 and \$2,112, respectively.

Investments

The investments in marketable securities with readily determinable fair values are recorded at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities and Changes in Net Assets.

Accounts and Contributions Receivable

Accounts receivable are evaluated by management and amounts deemed to be uncollectible are charged against the allowance for doubtful accounts. The allowance is then adjusted to reflect an estimated reserve for future losses. No allowance for doubtful accounts was considered necessary for 2016 or 2015.

Property and Equipment

Furniture and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire furniture and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

The Organization's capitalization policy requires assets to be capitalized if the original cost or fair value at the date of the transaction exceeds \$500. Assets whose original cost or fair value is less than \$500 are capitalized at the discretion of management. Depreciation is computed using the straight-line method over an estimated useful life.

Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such assets at December 31, 2016 and 2015.

HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

In-kind contributions

A substantial number of unpaid volunteers have made significant contributions of their time in the Organization's program services and in its fund-raising activities. The value of this contributed time is not reflected in these statements, because it does not meet current United States generally accepted accounting principles definition of in-kind services.

Federal Income Taxes

Humane Society of El Paso, is a nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. Generally, tax returns remain subject to examination for three years after the date of filing.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense was \$49,275 and \$32,446 for the years ending December 31, 2016 and 2015, respectively.

Use of Estimates

The preparation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts. Accordingly, actual results could differ from those estimates.

Subsequent Events

Subsequent events were evaluated through March 14, 2018, which is the date the financial statements were available to be issued and no items were noted.

HUMANE SOCIETY OF EL PASO, INC.NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015**2. CONCENTRATIONS OF CREDIT RISK**

The Organization maintains its cash balances in several financial institutions. The balances at the financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Two financial institutions had a balance greater than the limit at December 31, 2016. The balances exceeded the threshold by \$152,216. The Organization has not experienced any loss on balance in excess of FDIC coverage.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable at December 31, 2016 and 2015 consisted of the following:

	2016	2015 (unaudited)
Bequest- Frank Bogle	\$ 62,003	\$ -
Crossroads Animal Hospital	6,270	7,265
Others	2,029	-
Accounts receivable, total	<u>\$ 70,302</u>	<u>\$ 7,265</u>

**4. CURRENT INVESTMENTS**

Investments are stated at fair value and consist of the following at December 31, 2016 and 2015:

	2016		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Certificates of Deposit	\$ 70,163	\$ 70,163	\$ -
Equity securities and mutual funds	465,647	461,607	(4,040)
Government securities	1,339,344	1,339,344	-
Total investments	<u>\$ 1,875,154</u>	<u>\$ 1,871,114</u>	<u>\$ (4,040)</u>

	2015 (unaudited)		
	Cost	Fair Market Value	Unrealized Appreciation (Depreciation)
Equity securities and mutual funds	<u>\$ 535,810</u>	<u>\$ 532,508</u>	<u>\$ (3,302)</u>
Total investments	<u>\$ 535,810</u>	<u>\$ 532,508</u>	<u>\$ (3,302)</u>

HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

5. FAIR VALUE OF FINANCIAL STATEMENTS

The Financial Accounting Standards Board has established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are described below:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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 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's 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. Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016 and 2015.

Cash, Investments and Endowment - The carrying amounts reported in the statement of financial position for cash and cash equivalents approximate its fair value.

The carrying amounts and fair values of the Organization's financial instruments as of December 31, 2016 and 2015 are as follows:

	2016			
	Level 1	Level 2	Level 3	Total
<u>Unrestricted</u>				
Certificates of deposit	\$ 70,163	\$ -	\$ -	\$ 70,163
Equity securities and mutual funds	<u>461,607</u>	<u>-</u>	<u>-</u>	<u>461,607</u>
Total investments at fair value	<u>\$ 531,770</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 531,770</u>
<u>Temporary restricted</u>				
Government securities	\$ 1,339,344	-	-	-
Total investments at fair value	<u>\$ 1,339,344</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

5. FAIR VALUE OF FINANCIAL STATEMENTS (Continued)

	2015 (unaudited)			Total
	Level 1	Level 2	Level 3	
<u>Unrestricted</u>				
Equity securities and mutual funds	\$ 532,508	\$ -	\$ -	\$ 532,508
Total investments at fair value	<u>\$ 532,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 532,508</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31, 2016 and 2015:

	2016	2015 (unaudited)
Land	\$ 92,960	\$ 78,674
Buildings and improvements	3,845,433	3,762,876
Capital Projects	7,416	59,355
Equipment	253,796	251,935
Furniture and Fixtures	68,510	63,499
Transportation vehicles	<u>132,324</u>	<u>109,299</u>
Total property and equipment	4,400,439	4,325,638
Less accumulated depreciation	<u>(1,479,249)</u>	<u>(1,267,472)</u>
Net property and equipment	<u>\$ 2,921,190</u>	<u>\$ 3,058,166</u>

Depreciation expense for the year ended December 31, 2016 and 2015 was \$211,776 and \$170,459, respectively.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporary restricted net assets as of December 31, 2016 and 2015 are recorded as follows:

	2016	2015 (unaudited)
Mary Speer fund donation	\$ 1,339,344	\$ -
Shelbie's Fund- restricted for medical purposes	<u>28,026</u>	<u>27,679</u>
	<u>\$ 1,367,370</u>	<u>\$ 27,679</u>

HUMANE SOCIETY OF EL PASO, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

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**8. CHARITABLE TRUSTS**

The Organization has been named as a beneficiary of various trusts created independently by donors, held and administered by independent trustees designated by donors. These trusts administer land properties bequeathed to the Organization, such properties have oil, gas, and other mineral interests which underlined value has been determined by Farmers National Company, a gas and oil mineral management organization. The value listed in property and equipment on the balance sheet includes \$14,286 of such interest and represents an estimate based on an industry accepted practice for valuing oil and gas properties. Receipt of royalty income is recognized in the period of the receipt.

The Organization has been also named as a beneficiary of various perpetual irrevocable trusts held and administered by an independent trustee. These trusts were created independently by a donor and are administered by outside agents designated by the donor. The Organization has neither possession nor control over the assets of this trust. At the date the Organization received notice of a beneficial interest, a contribution is recorded in the statement of activities for the distribution received.

**9. LEASE COMMITMENTS**

The Humane Society of El Paso has operating leases for copier machines. Rental expense for leases consisted of \$11,001 and \$9,536 for the years ended June 30, 2016 and 2015.

Future minimum lease payments under the operating lease for the remaining terms as of June 30, 2016, are:

Year Ended June 30,	Amount
2017	11,976
2018	11,976
2019	<u>3,048</u>
Future minimum lease payments	<u>\$ 27,000</u>

**HUMANE SOCIETY OF EL PASO, INC.**  
**SCHEDULES OF FUNCTIONAL EXPENSES**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015 Unaudited
<b><u>Administration expense</u></b>		
Marketing	\$ 49,275	\$ 32,446
Bank service	20,701	22,161
Dues and subscriptions	152	17
Employee relations shelter	1,039	3,280
Travel and training	6,710	9,307
Insurance	40,874	48,349
Office expense	40,801	36,632
Professional fees	28,298	25,750
Pension benefits	25,000	25,000
Salaries	688,786	608,225
Telephone	11,964	11,011
Utilities	51,509	48,987
Payroll tax expense	52,632	37,935
Depreciation	211,776	170,459
<b><u>Veterinary expense</u></b>		
Veterinary services	23,726	24,334
Surgery	16,523	12,203
Testing	14,071	11,502
Vaccines	37,030	37,221
Contract labor shelter	85,300	88,119
<b><u>Kennel Operations expense</u></b>		
Food and Bedding	16,049	13,842
Grooming Expenses	465	-
Enrichment Program Expenses	4,999	3,737
Volunteer Program Expenses	8,450	7,676
Animal Control Fees	280	12,141
Animal License Expenses	20,500	16,810
Employee Uniform	4,680	3,024
Repairs and Maintenance	25,744	50,062
Microchips	16,616	14,709
Shelter Expense	5,750	6,108
Kennel Supplies	22,024	30,517
Kennel Operations	25,856	34,272
<b><u>Contribution generation expense</u></b>		
Mail solicitation	30,749	18,474
Electronic Mail Solicitation	42	1,555
Postage and Freight	3,607	3,417
Fundraising	80,652	62,855
<b>Total expenses</b>	<b>\$ 1,672,630</b>	<b>\$ 1,532,137</b>