

HUMANE SOCIETY OF MANATEE COUNTY, INC.

FINANCIAL STATEMENTS

Nine Months Ended September 30, 2009

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FINANCIAL STATEMENTS

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Certified Public Accountants and Consultants

1001 3rd Ave. W., Suite 500 ♦ Bradenton, Florida 34205

Tel (941) 747-0500 ♦ Fax (941) 746-0202 ♦ www.CPABIZ.COM

Byron E. Shinn, CPA
Gregory C. Green, CPA
Millard J. Martin, CPA
Neil Unruh, CPA

MEMBER
*Private Companies Practice Section
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants*

INDEPENDENT AUDITORS' REPORT

Board of Directors
Humane Society of Manatee County, Inc.
Bradenton, Florida

We have audited the accompanying statement of financial position of Humane Society of Manatee County, Inc. (Humane Society) as of September 30, 2009, and the related statement of activities, cash flows and functional expenses for the nine months then ended. These financial statements are the responsibility of Humane Society's management. 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Humane Society of Manatee County, Inc. as of September 30, 2009, and the changes in its net assets and cash flows for the nine months then ended, in conformity with accounting principles generally accepted in the United States of America.

Shinn & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Bradenton, Florida
January 14, 2010

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2009

ASSETS

Cash and cash equivalents	\$ 32,180
Accounts receivable	9,495
Cash restricted to veterinary care	4,260
Deposits	149
Prepaid expenses	4,285
Investments	81,554
Beneficial interest in the net assets of the Manatee Community Foundation	8,585
Building and equipment at cost, less accumulated depreciation of \$140,509 in 2009	<u>416,513</u>
 TOTAL ASSETS	 <u><u>\$ 557,021</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 21,258
Capital lease obligation	2,771
Deferred revenue	54,980
Note payable - current portion	27,312
Note payable - long-term portion	<u>26,943</u>
TOTAL LIABILITIES	<u>133,264</u>
Net assets:	
Unrestricted	419,497
Temporarily restricted	<u>4,260</u>
TOTAL NET ASSETS	<u>423,757</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 557,021</u></u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF ACTIVITIES
Nine Months Ended September 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains/(Losses), and Other Support			
Programs	\$ 33,510	\$ -	\$ 33,510
Foundations and bequests	139,924	-	139,924
Donations and grants	86,463	225	86,688
Low cost spay/neuter fees	7,767	-	7,767
Fundraising - special events	30,530	-	30,530
Merchandise sales	173	-	173
Medical clinic	113,663	-	113,663
Investment income	18,198	-	18,198
Net realized and unrealized losses on investments	(4,693)	-	(4,693)
Loss on sale of investment property	(584)	-	(584)
Net assets released from restrictions	<u>39,941</u>	<u>(39,941)</u>	<u>-</u>
Total Revenues, Gains/(Losses), and Other Support	<u>464,892</u>	<u>(39,716)</u>	<u>425,176</u>
Expenses:			
Program services	486,114	-	486,114
Supporting services:			
Management and general	94,258	-	94,258
Fundraising	<u>47,440</u>	<u>-</u>	<u>47,440</u>
Total Expenses	<u>627,812</u>	<u>-</u>	<u>627,812</u>
Change in net assets	(162,920)	(39,716)	(202,636)
Net assets at beginning of year	<u>582,417</u>	<u>43,976</u>	<u>626,393</u>
Net assets at end of year	<u>\$ 419,497</u>	<u>\$ 4,260</u>	<u>\$ 423,757</u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF CASH FLOWS
Nine Months Ended September 30, 2009

Cash flows from operating activities:	
Change in net assets	\$ (202,636)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	23,109
Loss on sale of equipment	584
(Increase) decrease in assets:	
Accounts and pledges receivable	31,533
Deposits	170
Prepaid expenses	(4,285)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	13,103
Deferred revenue	54,980
Net cash flow from operating activities	<u>(83,442)</u>
Cash flows from investing activities:	
Proceeds from investments	135,000
Investment income	(12,840)
Capital expenditures for equipment	<u>(98,658)</u>
Net cash flow from investing activities	<u>23,502</u>
Cash flows from financing activities:	
Proceeds from notes payable	66,421
Payments on notes payable	(12,166)
Payments on capital lease obligation	<u>(1,002)</u>
Net cash flow from financing activities	<u>53,253</u>
Net increase (decrease) in cash and cash equivalents	(6,687)
Cash and cash equivalents at beginning of fiscal year	<u>43,127</u>
Cash and cash equivalents at end of fiscal year	<u>\$ 36,440</u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF CASH FLOWS – CONTINUED
Nine Months Ended September 30, 2009

Supplemental disclosure:

Cash paid for interest	\$	<u>14,131</u>
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Reconciliation of cash and cash equivalents:

Cash and cash equivalents	\$	32,180
Cash restricted to veterinary care		<u>4,260</u>
	\$	<u>36,440</u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Nine Months Ended September 30, 2009

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management & General</u>		
	<u>General</u>	<u>Fundraising</u>		
Leased payroll and benefits	\$ 313,039	\$ 62,184	\$ 13,487	\$ 388,710
Adoption clinic expenses	18,298	-	-	18,298
Public clinic	52,705	-	-	52,705
Low cost spay/neuter	13,469	-	-	13,469
Medical supplies	37,506	-	-	37,506
Shelter supplies	12,407	2,381	1,211	15,999
Office expense	1,163	4,591	2,901	8,655
Utilities	10,536	2,043	1,029	13,608
Repairs and maintenance	3,398	659	332	4,389
Insurance	-	2,466	-	2,466
Equipment leases	-	1,664	-	1,664
Telephone	4,083	792	399	5,274
Professional fees	-	13,957	-	13,957
Advertising and marketing	-	-	100	100
Travel and entertainment	-	51	-	51
Fundraiser expense	-	-	26,235	26,235
Investment expense	602	-	-	602
	<u>468,221</u>	<u>90,788</u>	<u>45,694</u>	<u>604,703</u>
Total expenses before depreciation				
Depreciation	<u>17,893</u>	<u>3,470</u>	<u>1,746</u>	<u>23,109</u>
Total expenses	<u>\$ 486,114</u>	<u>\$ 94,258</u>	<u>\$ 47,440</u>	<u>\$ 627,812</u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Humane Society of Manatee County, Inc. (“Humane Society” or the “Organization”) was organized in 1973 as a non-profit corporation under the laws of the State of Florida. Humane Society serves the residents of Manatee County by promoting the welfare of animals through its adoption and various veterinary services programs. Funding sources include program service fees, private donations and membership dues.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – In accordance with Statement of Accounting Standard (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As of September 30, 2009 there were temporarily restricted net assets of \$4,620.

Contributions – Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary 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. Temporarily restricted support received in the current year whose restriction is met in the same reporting period is recorded as unrestricted support in the statement of activities.

Cash Equivalents – Cash equivalents consist of short-term, high liquid investments, which are readily convertible into cash within ninety (90) days of purchase. Cash and cash equivalents also do not include cash held by investment managers and designated for investment.

Investments - The Humane Society carries investments in marketable securities with readily determinable fair values at their fair values in the statement of financial position. Securities not publicly traded are stated at cost. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fixed Assets – Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Depreciation is computed on a straight-line basis over the useful lives of the asset generally as follows:

Building and improvements	10 – 40 years
Furniture and equipment	5 – 10 years

Functional Allocation of Expenses – The costs of providing the various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Costs are allocated between management and general, or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Contributed Services and Materials – During the nine months ended September 30, 2009, many individuals volunteer their time and perform a variety of tasks that assist the Organization in accomplishing its mission, but these services do not meet the criteria for recognition as contributed services.

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

Income Taxes – Humane Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, Humane Society 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. There was no unrelated business income for the year ended September 30, 2009.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE B – INVESTMENTS

Investments held by the Humane Society at September 30, 2009 were as follows:

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Cash and money markets held for investment	\$ 81,554	81,554	\$ -
Fixed income	5,917	-	(5,917)
	\$ 87,471	\$ 81,554	\$ (5,917)

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Depreciation expense for the nine months ended September 30, 2009 was \$23,109. The cost and accumulated depreciation are as follows:

Land	\$ 85,359
Building	175,760
Building improvements	172,954
Furniture, fixtures and equipment	98,040
Software	14,554
Vehicles	10,355
	557,022
Less accumulated depreciation	(140,509)
	\$ 416,513

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE D – NOTES PAYABLE

Notes payable, as of September 30, 2009, consisted of the following:

Note payable from Northern Trust Bank with monthly installments of \$2,299, including interest at 6.55%; maturing in fiscal year 2011. \$ 54,255

Future maturities of long-term debt, as of September 30, 2009, were as follows:

Year Ended <u>September 30</u>	
2010	\$ 27,312
2011	<u>26,943</u>
	<u>\$ 54,255</u>

Interest expense for the nine months ended September 30, 2009 was \$1,626.

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following at September 30, 2009:

Marlie's Fund	\$ <u>4,260</u>
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HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE F – CAPITAL LEASE OBLIGATION

The Organization has a capitalized rental obligation under a lease for equipment. The obligation, which expires in 2011, represents the total present value of future rental payments discounted at the interest rate implicit in the lease. Future minimum lease payments under the capital lease at September 30, 2009 consist of the following:

Year 2010		\$	1,788
2011			<u>1,341</u>
Total minimum lease payments			3,129
Less amount representing interest			<u>(358)</u>
Present value of net minimum lease payments		\$	<u><u>2,771</u></u>
Current portion		\$	1,503
Long term portion			<u>1,268</u>
		\$	<u><u>2,771</u></u>

Interest expense for the nine months ended September 30, 2009 was \$339.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Nine Months Ended September 30, 2009

NOTE G – FAIR VALUE MEASUREMENT

On January 1, 2009, the Organization adopted new guidance on fair value measurements, which clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures of fair value measurements. In February 2008, the FASB deferred the effective date of the new guidance for one year for nonfinancial assets and liabilities recorded at fair value on a nonrecurring basis. The effect of adoption on January 1, 2009 of the new guidance for nonfinancial assets and liabilities recorded at fair value on a nonrecurring basis did not have a material impact on the Organization’s financial position and results of operations. There are three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities. The Organization’s Level 1 assets include equity securities that are traded in an active exchange market.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Organization did not carry Level 2 financial assets or liabilities as of September 30, 2009.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation. The Organization did not carry Level 3 financial assets or liabilities as of September 30, 2009.

The following table presents the changes in Level 1 fair value category for the nine months ended September 30, 2009:

	Fair Value Measurement Using:
	Quoted Prices in Active Markets for Identical Assets (Level 1)
	<hr/>
Beginning balance, January 1, 2009	\$ 204,895
Purchases, settlements, other income	(116,822)
Fees	(602)
Net change in unrealized gain (loss)	<u>(5,917)</u>
Ending balance, September 30, 2009	<u>\$ 81,554</u>