

HUMANE SOCIETY OF MANATEE COUNTY, INC.

FINANCIAL STATEMENTS

SEPTEMBER 30, 2010

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January 5, 2011

TO THE BOARD OF DIRECTORS  
Humane Society of Manatee County, Inc.  
Bradenton, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying balance sheet of Humane Society of Manatee County, Inc. as of September 30, 2010 and the related statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 audit 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 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 above present fairly, in all material respects, the financial position of Humane Society of Manatee County, Inc. as of September 30, 2010 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Bobbitt, Pittenger & Company, P.A.*

Certified Public Accountants



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HUMANE SOCIETY OF MANATEE COUNTY, INC.  
STATEMENT OF FINANCIAL POSITION  
SEPTEMBER 30, 2010

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ASSETS

|                                    |                              |
|------------------------------------|------------------------------|
| Cash and cash equivalents          | \$ 20,121                    |
| Cash restricted to veterinary care | 3,380                        |
| Accounts receivable                | 21,359                       |
| Bequest receivable                 | 120,179                      |
| Prepaid expenses                   | 5,062                        |
| Deposits                           | 149                          |
| Property and equipment, net        | <u>393,196</u>               |
| <br>TOTAL ASSETS                   | <br><u><u>\$ 563,446</u></u> |

LIABILITIES AND NET ASSETS

|                                       |                              |
|---------------------------------------|------------------------------|
| Liabilities:                          |                              |
| Accounts payable and accrued expenses | \$ 65,844                    |
| Deferred revenue                      | 15,030                       |
| Note payable                          | 31,669                       |
| Capital lease obligation              | 1,268                        |
| Total liabilities                     | <u>113,811</u>               |
| <br>Net assets:                       |                              |
| Unrestricted                          | 446,255                      |
| Temporarily restricted                | 3,380                        |
| Total net assets                      | <u>449,635</u>               |
| <br>TOTAL LIABILITIES AND NET ASSETS  | <br><u><u>\$ 563,446</u></u> |

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See accompanying notes to financial statements.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2010

|  |            |
|--|------------|
| Changes in unrestricted net assets:                  |            |
| Revenues and gains:                                  |            |
| Programs   | \$ 37,587  |
| Donations and grants                                 | 454,180    |
| Fund-raising-special events                          | 104,457    |
| Medical clinic                                       | 330,571    |
| Miscellaneous  | 5,278      |
| Investment income                                    | 50         |
| Net realized and unrealized gains on investments     | 565        |
|  | 932,688    |
| Net assets released from restrictions                | 889        |
| Total unrestricted revenue, gains, and other support | 933,577    |
| Expenses:  |            |
| Program services                                     | 727,893    |
| Management and general                               | 86,661     |
| Fund-raising   | 92,265     |
| Total expenses                                       | 906,819    |
| Change in unrestricted net assets                    | 26,758     |
| Changes in temporarily restricted net assets:        |            |
| Donations and grants                                 | 9          |
| Net assets released from restrictions                | ( 889)     |
| Change in temporarily restricted net assets          | ( 880)     |
| Change in net assets                                 | 25,878     |
| Net assets, beginning of year                        | 423,757    |
| Net assets, end of year                              | \$ 449,635 |

See accompanying notes to financial statements.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended September 30, 2010

|                                    | Program<br>Services | General and<br>Administrative | Fundraising      | Total             |
|------------------------------------|---------------------|-------------------------------|------------------|-------------------|
| Leased payroll and benefits        | \$ 486,316          | \$ 65,279                     | \$ 29,960        | \$ 581,555        |
| Adoption clinic expenses           | 30,979              | --                            | --               | 30,979            |
| Public clinic                      | 16,485              | --                            | --               | 16,485            |
| Medical supplies                   | 102,852             | --                            | --               | 102,852           |
| Shelter supplies                   | 8,848               | --                            | --               | 8,848             |
| Office supplies                    | 1,764               | 98                            | 50               | 1,912             |
| Utilities                          | 15,943              | 1,873                         | 1,950            | 19,766            |
| Repairs and maintenance            | 2,926               | 337                           | 360              | 3,623             |
| Insurance                          | 7,360               | 847                           | 905              | 9,112             |
| Equipment leases                   | 7,845               | 313                           | 326              | 8,484             |
| Telephone                          | 6,028               | 712                           | 741              | 7,481             |
| Interest                           | --                  | 2,699                         | --               | 2,699             |
| Professional fees                  | 300                 | 8,463                         | --               | 8,763             |
| Advertising and marketing          | 646                 | 896                           | --               | 1,542             |
| Travel and entertainment           | 4,043               | 129                           | --               | 4,172             |
| Bank and other fees                | 5,606               | 876                           | 689              | 7,171             |
| Fundraiser expense                 | --                  | --                            | 52,025           | 52,025            |
| Printing and copying               | 1,555               | 310                           | 1,296            | 3,161             |
| Postage and mailing                | 22                  | 540                           | 752              | 1,314             |
| Miscellaneous                      | 2,388               | 270                           | 50               | 2,708             |
| Software and graphics              | 425                 | --                            | 18               | 443               |
|                                    | <u>702,331</u>      | <u>83,642</u>                 | <u>89,122</u>    | <u>875,095</u>    |
| Total expenses before depreciation |                     |                               |                  |                   |
| Depreciation                       | <u>25,562</u>       | <u>3,019</u>                  | <u>3,143</u>     | <u>31,724</u>     |
| Total expenses                     | <u>\$ 727,893</u>   | <u>\$ 86,661</u>              | <u>\$ 92,265</u> | <u>\$ 906,819</u> |

See accompanying notes to financial statements.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2010

|   |                  |
|---|------------------|
| Cash flows from operating activities:   |                  |
| Change in net assets  | \$ 25,878        |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |                  |
| Depreciation expense  | 31,724           |
| Net realized and unrealized gains on investments  | ( 565)           |
| Change in operating assets and liabilities:   |                  |
| Accounts receivable   | ( 11,864)        |
| Bequest receivable  | ( 120,179)       |
| Prepaid expenses  | ( 777)           |
| Accounts payable and accrued expenses   | 44,586           |
| Deferred revenue  | <u>( 39,950)</u> |
| Net cash used by operating activities   | <u>( 71,147)</u> |
| Cash flows from investing activities:   |                  |
| Proceeds from sale of investments   | 90,704           |
| Purchase of property and equipment  | <u>( 8,407)</u>  |
| Net cash provided by investing activities   | 82,297           |
| Cash flows from financing activities:   |                  |
| Payments on note payable  | ( 22,586)        |
| Payments on capital lease obligation  | <u>( 1,503)</u>  |
| Net cash used by financing activities   | <u>( 24,089)</u> |
| Net change in cash and cash equivalents   | ( 12,939)        |
| Cash and cash equivalents at beginning of year  | <u>36,440</u>    |
| Cash and cash equivalents at end of year  | <u>\$ 23,501</u> |
| Supplemental disclosure of cash flow information:                                       |                  |
| Cash paid for interest  | <u>\$ 2,699</u>  |
| Reconciliation of cash and cash equivalents   |                  |
| Cash and cash equivalents   | \$ 20,121        |
| Cash restricted to veterinary care  | 3,380            |
|   | <u>\$ 23,501</u> |

See accompanying notes to financial statements.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended September 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Humane Society of Manatee County, Inc. (the “Organization”) was organized in 1973 as a non-profit corporation under laws of the State of Florida. The Organization 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.

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable – The Organization records accounts receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. As of September 30, 2010, all receivables are considered fully collectible.

Property and Equipment – The Organization records its property and equipment at cost or at fair market value, if donated. Depreciation of buildings and equipment is provided for using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives of assets range from 3 to 10 years for furniture, fixtures and equipment and 5 to 40 years for the building and related improvements. Maintenance and repair costs are expensed as incurred.

Compensated Absences – The Organization has a “use it or lose it” policy based on a calendar year for compensated absences. Management has determined that any liability as of September 30, 2010 is immaterial and is not reflected in these financial statements.

Deferred Revenue – Revenue from special events is recognized in the year the event occurs. Revenue received in the fiscal year prior to the event is deferred.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended September 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Donated Services – A substantial number of volunteers donated significant amounts of time to the Organization's program services and to its fund-raising campaigns. The estimated value of these donated services has not been recorded in the accompanying financial statements. Donated services are recognized when the service would typically require purchase of services due to the requirement of specialized skills and the donor possesses such skills.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – Advertising expense was \$1,542 for the year ended September 30, 2010 and was expensed as incurred.

Income Taxes – The Organization is generally exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax-exempt purpose of the Organization over the related expenses.

On October 1, 2009 (the effective date), the Organization adopted the provisions of Accounting Standard Codification 740 related to accounting for uncertainty in income taxes. This provision requires all tax positions that meet a more-likely-than-not recognition threshold at the effective date be recognized (or continue to be recognized) upon adoption.

Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions, should be recognized in the Organization's financial statements. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization files income tax returns in the United States of America. With few exceptions, the Organization's tax returns are subject to income tax examination by tax authorities for tax years ending on or after September 30, 2007.

Use of 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.

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 Year Ended September 30, 2010

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NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Subsequent Events: The Organization has evaluated all subsequent events through January 5, 2011, the date the financial statements were available to be issued. No material subsequent events occurred which would have a material impact on the Organization's financial statements.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment are as follows at September 30, 2010:

|                                    |    |         |
|------------------------------------|----|---------|
| Land                               | \$ | 85,359  |
| Building                           |    | 175,760 |
| Building improvements              |    | 174,360 |
| Furniture, fixtures, and equipment |    | 105,041 |
| Computers and software             |    | 14,554  |
| Vehicles                           |    | 10,355  |
|                                    |    | 565,429 |
| Less accumulated depreciation      |    | 172,233 |
| Property and equipment, net        | \$ | 393,196 |

Depreciation expense was \$31,724 for the year ended September 30, 2010.

NOTE C – NOTE PAYABLE

The Organization has a note payable from Northern Trust Bank, secured by property and equipment, with monthly installments of \$2,299 including interest at 6.5 percent. Future maturities of the note payable are as follows as of September 30,:

|      |    |           |
|------|----|-----------|
| 2011 | \$ | 28,563    |
| 2012 |    | 3,106     |
|      |    | \$ 31,669 |

HUMANE SOCIETY OF MANATEE COUNTY, INC.  
NOTES TO FINANCIAL STATEMENTS  
Year Ended September 30, 2010

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NOTE D – 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 are as follows:

|   |    |              |
|---|----|--------------|
| Total minimum lease payments due in 2011    | \$ | 1,341        |
| Less amount representing interest           |    | <u>73</u>    |
| Present value of net minimum lease payments | \$ | <u>1,268</u> |

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the cash restricted for veterinary care in the amount of \$3,380 as of September 30, 2010.