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TANNER

BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

CRITICAL KNOWLEDGE

PROACTIVE INSIGHT

HUMANE SOCIETY OF UTAH

Member of PKF North America

Financial Statements
As of and For the Years Ended December 31, 2011 and 2010

Together with Independent Auditors' Report

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TANNER
BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Humane Society of Utah

We have audited the accompanying statements of financial position of The Humane Society of Utah (the Organization) as of December 31, 2011 and 2010 and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 audits provide 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 The Humane Society of Utah as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tanner LLC

July 13, 2012

THE HUMANE SOCIETY OF UTAH
Statements of Financial Position

As of December 31,

	2011	2010
Assets		
Cash	$ 1,419,567	$ 218,876
Investments	746,805	1,509,672
Accounts receivable	139,563	150,664
Prepaid expenses	17,071	32,596
Property and equipment, net	3,910,384	1,984,582
Investments and cash held for endowment funds	433,473	1,475,783
Beneficial interest in assets held by third parties	286,941	324,417
Investment property, net	67,342	70,999
Total assets	$ 7,021,146	$ 5,767,589
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 611,917	$ 119,087
Accrued liabilities	78,723	64,158
Total liabilities	690,640	183,245
Net assets:		
Unrestricted	4,491,657	3,736,524
Temporarily restricted	1,551,908	47,620
Permanently restricted	286,941	1,800,200
Total net assets	6,330,506	5,584,344
Total liabilities and net assets	$ 7,021,146	$ 5,767,589

	2011	2010
Change in unrestricted net assets:		
Revenues, gains, and other support:		
Contributions	$ 1,090,338	$ 1,892,468
Clinic fees	1,217,577	1,105,133
Adoption fees	668,044	692,345
Interest and dividends	25,020	11,013
Net realized and unrealized gain (loss) on investments	(13,461)	106,231
Investment property income net of expenses	29,169	29,050
Other	41,007	36,563
Total unrestricted revenues, gains, and other support	3,057,694	3,872,803
Net assets released from restrictions	1,125,126	10,000
Total unrestricted revenues, gains, other support and reclassifications	4,182,820	3,882,803
Program expenses:		
Shelter	1,164,746	1,135,983
Clinic	1,195,598	1,085,840
Outreach adoptions	283,494	312,842
Foster	108,014	94,426
Investigations	78,216	84,790
Education	55,039	53,692
Supporting expenses:		
Management and general	252,873	299,366
Fund-raising	233,081	272,811
Volunteer special events	56,626	71,892
Total expenses	3,427,687	3,411,642
Increase in unrestricted net assets	755,133	471,161

	2011	2010
Change in temporarily restricted net assets:		
Contributions	1,100,000	40,000
Net change in investments	53,631	-
Net assets released from permanent restrictions	1,475,783	-
Net assets released from restrictions	(1,125,126)	(10,000)
Increase in temporarily restricted net assets	1,504,288	30,000
Change in permanently restricted net assets:		
Net assets released from permanent restrictions	(1,475,783)	-
Net change in investments	(37,476)	94,651
Increase (Decrease) in permanently restricted net assets	(1,513,259)	94,651
Increase in net assets	746,162	595,812
Net assets, beginning of the year	5,584,344	4,988,532
Net assets, end of the year	$ 6,330,506	$ 5,584,344

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2011

	Program Services							Supporting Services				
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fund-raising	Volunteer Special Events	Total	Overall Total
Salaries	$ 580,000	$ 543,125	$ 194,838	$ 78,845	$ 51,164	$ 30,859	$ 1,478,831	$ 105,668	$ 52,164	$ 33,421	$ 191,253	$ 1,670,084
Benefits	65,095	46,868	6,587	11,392	9,310	4,916	144,168	19,947	9,442	7,248	36,637	180,805
Payroll taxes	45,382	42,937	15,693	5,997	4,063	2,439	116,511	7,489	4,140	3,374	15,003	131,514
Total salaries and related expenses	690,477	632,930	217,118	96,234	64,537	38,214	1,739,510	133,104	65,746	44,043	242,893	1,982,403
Advertising	851	29,635	50	-	-	-	30,536	-	15,000	-	15,000	45,536
Office	6,532	12,024	4,317	14	48	1,514	24,449	3,871	50,033	1,543	55,447	79,896
Liability insurance	20,073	8,044	845	460	460	1,168	31,050	6,013	460	460	6,933	37,983
Animal waste removal	15,600	6,935	-	-	-	-	22,535	-	-	-	-	22,535
Professional services	19,611	7,859	1,142	450	449	1,141	30,652	5,948	449	449	6,846	37,498
Surgical	585	41,315	-	-	-	-	41,900	-	-	-	-	41,900
Vaccination	62,581	309,601	-	4	-	-	372,186	-	-	-	-	372,186
Outside services	4,753	6,720	410	394	96	310	12,683	5,425	87,435	366	93,226	105,909
Repairs and maintenance	23,773	8,048	7,938	49	720	305	40,833	4,090	353	169	4,612	45,445
Retail store	24,297	3,214	-	-	-	-	27,511	-	-	54	54	27,565
Supplies	50,685	29,562	2,089	1,150	414	49	83,949	7,203	491	3,318	11,012	94,961
Telephone	8,473	2,794	381	150	312	381	12,491	3,646	150	150	3,946	16,437
Utilities	43,571	15,636	3,234	863	862	2,193	66,359	11,376	886	863	13,125	79,484
Depreciation and loss on disposal	187,186	74,229	16,137	4,034	4,034	9,682	295,302	19,364	4,034	4,034	27,432	322,734
Other expenses	5,698	7,052	29,833	4,212	6,284	82	53,161	52,833	8,044	1,177	62,054	115,215
Total expenses	$ 1,164,746	$ 1,195,598	$ 283,494	$ 108,014	$ 78,216	$ 55,039	$ 2,885,107	$ 252,873	$ 233,081	$ 56,626	$ 542,580	$ 3,427,687

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2010

	Program Services							Supporting Services				
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fund-raising	Volunteer Special Events	Total	Overall Total
Salaries	$ 563,848	$ 471,160	$ 204,229	$ 69,081	$ 52,656	$ 32,303	$ 1,393,277	$ 82,201	$ 53,657	$ 42,327	$ 178,185	$ 1,571,462
Benefits	56,182	47,024	6,711	4,609	13,918	5,729	134,173	18,748	14,006	8,473	41,227	175,400
Payroll taxes	42,786	36,114	16,027	5,397	4,280	2,684	107,288	9,959	4,356	3,932	18,247	125,535
Total salaries and related expenses	662,816	554,298	226,967	79,087	70,854	40,716	1,634,738	110,908	72,019	54,732	237,659	1,872,397
Advertising	67,457	29,884	13,647	451	451	1,147	113,037	5,903	12,876	935	19,714	132,751
Office	8,730	10,221	2,675	8	38	147	21,819	4,196	67,999	1,450	73,645	95,464
Liability insurance	13,797	5,643	3,366	316	316	804	24,242	5,941	316	316	6,573	30,815
Animal waste removal	15,600	6,587	-	-	-	-	22,187	-	-	-	-	22,187
Professional services	14,972	6,048	872	345	343	871	23,451	4,486	341	343	5,170	28,621
Surgical	3	37,807	-	-	-	-	37,810	-	-	-	-	37,810
Vaccination	26,379	301,505	-	26	-	-	327,910	-	-	-	-	327,910
Outside services	16,491	18,435	364	3,309	159	66	38,824	37,823	107,226	221	145,270	184,094
Repairs and maintenance	61,804	22,143	32,975	1,482	3,759	1,372	123,535	13,190	578	540	14,308	137,843
Retail store	36,571	3,648	-	-	-	-	40,219	-	-	128	128	40,347
Supplies	52,163	27,367	3,609	1,381	472	16	85,008	9,492	186	1,760	11,438	96,446
Telephone	8,078	2,656	353	139	383	353	11,962	4,175	139	139	4,453	16,415
Utilities	43,989	15,885	3,692	1,414	1,414	2,718	69,112	11,652	1,414	1,414	14,480	83,592
Depreciation	97,304	38,586	8,388	2,097	2,097	5,033	153,505	10,066	2,097	2,098	14,261	167,766
Other expenses	9,829	5,127	15,934	4,371	4,504	449	40,214	81,534	7,620	7,816	96,970	137,184
Total expenses	$ 1,135,983	$ 1,085,840	$ 312,842	$ 94,426	$ 84,790	$ 53,692	$ 2,767,573	$ 299,366	$ 272,811	$ 71,892	$ 644,069	$ 3,411,642

For the Years Ended December 31,

	2011	2010
Cash flows from operating activities:		
Increase in net assets	$ 746,162	$ 595,812
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	165,215	167,766
Loss on disposal of property and equipment	157,519	-
Net gain on investments	(33,418)	(173,403)
Net decrease (increase) on beneficial interest in assets held by third parties	17,748	(35,679)
Decrease (increase) in:		
Accounts receivable	11,101	(150,664)
Prepaid expenses	15,525	51,804
Increase (decrease) in:		
Accounts payable	492,830	(17,160)
Accrued liabilities	14,565	17,590
Net cash provided by operating activities	1,587,247	456,066
Cash flows from investing activities:		
Net change in investments	1,838,595	(1,084,471)
Net change in beneficial interest in assets held by third parties	19,728	19,277
Purchases of property and equipment	(2,244,879)	(336,058)
Net cash used in investing activities	(386,556)	(1,401,252)
Net change in cash	1,200,691	(945,186)
Cash at beginning of the year	218,876	1,164,062
Cash at end of the year	$ 1,419,567	$ 218,876
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -

1. Organization and Summary of Significant Accounting Policies

Organization
The Humane Society of Utah (the Organization) is a Utah not-for-profit organization which provides animal adoption services, medical services, cruelty investigation services related to dogs and cats, foster parent programs, and educational programs for children and adults. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

Financial Statement Presentation
The Organization reports 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.

Use of Estimates in Financial Statements
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk
Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded into accounts receivable. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management's expectations. Credit risk pertaining to promises to give is comprised of numerous factors including the overall economic conditions in the geographic area in which the Organization's donors are located. As of December 31, 2011, management determined that an allowance for possible losses was not necessary.

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. At December 31, 2011, the Organization did not have any bank deposit accounts that exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

1. Organization and Summary of Significant Accounting Policies ***Continued***

***Concentration of Credit Risk** - Continued*
The Organization is dependent on a certain vendors for veterinary supplies. For the years ended December 31, 2011 and 2010, aggregate purchases from Vendor A accounted for approximately 21.9% and 14.0% of total purchases, respectively, and aggregate purchases from Vendor B accounted for 11.0% and less than 10% of total purchases, respectively.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment
The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed $1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property, are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty years.

Impairment of Long-Lived Assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of activities.

Investments and Cash Held For Endowment Funds
Investments and cash held for endowment funds represent investments and cash held as the corpus of endowment funds.

Beneficial Interest in Assets Held by Third Parties
Beneficial interest in assets held by third parties represents the Organization's share of expected income from assets held under split-interest agreements. The beneficial interest is recorded at fair value.

1. Organization and Summary of Significant Accounting Policies *Continued*

Investment Property

The Organization owns rental property consisting of land and buildings with a cost basis of $136,800, which is held for investment. The building, which represents $98,700 of the cost basis is being depreciated on a straight-line basis over 27 years. The land has a cost basis of $38,100. Investment property is recorded net of accumulated depreciation of $69,458 and $65,801 as of December 31, 2011 and 2010, respectively. Depreciation expense was $3,657 and $3,654 for the years ended December 31, 2011 and 2010, respectively.

Revenue Recognition

The Organization recognizes revenue at the time services are performed or goods are provided, the price is fixed or determinable, and collection is reasonably assured.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and 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 support is 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.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property 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 reclassifies temporarily restricted net assets to unrestricted net assets at that time.

1. Organization and Summary of Significant Accounting Policies *Continued*

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

In-Kind Supply Contributions

During the years ended December 31, 2011 and 2010, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies, that have not been valued and reflected in the statements of activities due to the difficulty of assigning a fair value to such contributions. The effect of recording such contributions would be to increase contribution revenue and supplies expense, and would have no effect on the increase or decrease in unrestricted net assets or the assets of the Organization.

Advertising

The Organization expenses advertising costs as incurred. Total advertising expense was approximately $46,000 and $133,000 for the years ended December 31, 2011 and 2010, respectively.

Income Taxes

The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on related business income. The Organization is subject to taxation on unrelated business income.

As of December 31, 2011 and 2010, respectively, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years subject to tax examination are 2008, 2009, 2010 and 2011.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. Organization and Summary of Significant Accounting Policies *Continued*

Fair Value of Financial Instruments
Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 6).

Subsequent Events
Management has evaluated subsequent events through the date of the independent auditors' report, which is the date these financial statements were available to be issued.

2. Investments

Investments and cash held for endowment funds are stated at fair value and consist of the following as of December 31:

	2011	2010
Money market funds	$ 489,591	$ 1,231,184
U.S. Government securities	12,927	236,437
Corporate bonds	175,980	607,827
International mutual funds	200,020	279,573
Equities and mutual funds	301,760	630,434
	$ 1,180,278	$ 2,985,455

The above total is classified as follows in the accompanying statements of financial position as of December 31:

	2011	2010
Investments	$ 746,805	$ 1,509,672
Investments and cash held for endowment funds	433,473	1,475,783
	$ 1,180,278	$ 2,985,455

Total return on investments, including dividends, interest, and realized and unrealized gains was $27,714 and $211,895 for the years ended December 31, 2011 and 2010, respectively.

3. Property and Equipment

Property and equipment consist of the following as of December 31:

	2011	2010
Land	$ 427,516	$ 427,516
Building	2,029,509	2,029,509
Improvements and equipment	845,558	970,911
Vehicles	194,642	194,642
Office furniture	23,174	47,334
Construction-in-process	2,311,814	289,820
Total cost	5,832,213	3,959,732
Less accumulated depreciation	(1,921,829)	(1,975,150)
	$ 3,910,384	$ 1,984,582

Depreciation expense on property and equipment for the years ended December 31, 2011 and 2010 was $161,558 and $164,112, respectively.

4. Beneficial Interest in Assets Held By Third Parties

The Organization is named as a co-beneficiary in a trust. This is an irrevocable split-interest agreement for which the Organization is entitled to one-half of the trust's income in perpetuity. The Organization is also named as a co-beneficiary in the assets held by a private foundation, which is an irrevocable split-interest agreement entitling the Organization to a one-third share of the foundation's income in perpetuity. The earnings received in cash from the trusts and the foundation's investments are recognized as temporarily restricted until appropriated by the Board of Directors. The Organization's pro-rata interest in the assets held by the trust and the foundation is recorded based upon the fair value of the assets held by these parties, and is permanently restricted. The recorded value of the interest in the trust and the foundation is evaluated annually and the change in value is recognized in the statements of activities as a permanently restricted gain or loss. This revaluation gain (loss) for the Organization's interest in the trust and the foundation was ($37,474) and $16,402 for 2011 and 2010, respectively.

5. Line of Credit

The Organization has an unsecured revolving line of credit with a financial institution in the amount of $10,000. The line of credit carries an interest rate of 12.75%. No balance was outstanding as of December 31, 2011 and 2010.

The Organization obtained a secured construction line of credit with a financial institution in the amount of $600,000 during 2011. The line of credit carries an interest rate of 4.25%, and matures on December 1, 2017. Whereupon, the outstanding balance becomes a note term payable. Until the note matures, the Organization has interest only payments. The line of credit is secured by all of the Organization's property. No balance was outstanding as of December 31, 2011.

6. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

6. Fair Value Measurements *Continued*

The following tables summarize the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31,2011 and 2010, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset and liability category:

As of December 31, 2011

Investments

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 409,198	$ -	$ -	$ 409,198
International mutual funds	159,239	-	-	159,239
Large cap mutual funds	79,204	-	-	79,204
Industry segment mutual funds	12,130	-	-	12,130
Moderate mutual funds	58,112	-	-	58,112
Equities	28,922	-	-	28,922
Total	$ 746,805	$ -	$ -	$ 746,805

Investments and Cash Held for Endowment Funds

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 80,393	$ -	$ -	$ 80,393
U.S. Government securities	12,927	-	-	12,927
Corporate bonds	175,980	-	-	175,980
International mutual funds	40,781	-	-	40,781
Large cap mutual funds	87,321	-	-	87,321
Industry segment mutual funds	2,193	-	-	2,193
Moderate mutual funds	10,505	-	-	10,505
Equities	5,228	-	-	5,228
Real estate mutual funds	18,145	-	-	18,145
Total	$ 433,473	$ -	$ -	$ 433,473

6. Fair Value Measurements
Continued

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
T. Max and Cardella Stanger Foundation under agreement	$ -	$ 208,650	$ -	$ 208,650
Naomi R. Hoffman Charitable Trust	-	78,293	-	78,293
Total	$ -	$ 286,943	$ -	$ 286,943

As of December 31, 2010

Investments

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,228,538	$ -	$ -	$ 1,228,538
International mutual funds	77,693	-	-	77,693
Large cap mutual funds	88,900	-	-	88,900
Industry segment mutual funds	14,967	-	-	14,967
Moderate mutual funds	69,180	-	-	69,180
Equities	30,394	-	-	30,394
Total	$ 1,509,672	$ -	$ -	$ 1,509,672

Investments and Cash Held for Endowment Funds

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,646	$ -	$ -	$ 2,646
U.S. Government securities	236,437	-	-	236,437
Corporate bonds	607,827	-	-	607,827
International mutual funds	201,880	-	-	201,880
Large cap mutual funds	346,792	-	-	346,792
Real estate mutual funds	80,201	-	-	80,201
Total	$ 1,475,783	$ -	$ -	$ 1,475,783

6. Fair Value Measurements ***Continued***

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
T. Max and Cardella Stanger Foundation under agreement	$ -	$ 230,942	$ -	$ 230,942
Naomi R. Hoffman Charitable Trust	-	93,475	-	93,475
Total	$ -	$ 324,417	$ -	$ 324,417

7. Temporarily Restricted Net Assets

As of December 31, 2011 and 2010, temporarily restricted net assets totaled $1,551,908 and $47,620, respectively, which were restricted for the purchase of a vehicle, building construction, and the passage of time.

8. Endowment

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-profit entities,* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Utah has adopted UPMIFA. Due to the nature of the donor restrictions accompanying the net assets, the adoption of ASC 958 did not change the way the Organization classifies investment gains (losses) earned on endowment funds.

Permanently restricted net assets (endowments) included the following as of December 31:

	2011	2010
Beneficial interest in foundation (Note 4)	$ 208,650	$ 230,942
Beneficial interest in trust (Note 4)	78,293	93,475
Perpetual endowment fund	-	1,475,783
	$ 286,943	$ 1,800,200

The Organization’s endowment funds have been established to promote the mission of the Organization which is dedicated to the elimination of fear, pain, and suffering in all animals. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

8. Endowment
Continued

On January 21, 2011, the donor of the perpetual endowment fund amended the endowment agreement and authorized the Organization to withdraw the perpetual endowment funds for the building additions began in 2011 (which are recorded as property and equipment) and for its immediate needs and for its obligation to protect the welfare of animals in Utah. The Organization therefore transferred the perpetual endowment fund to temporarily restricted net assets during 2011.

Interpretation of Relevant Law

The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Spending Policy

The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest received from the beneficial interest in assets held by third parties. The perpetual endowment fund (the Fund) states that the Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purposes, an amount equal to four percent of the net fair market value of the assets of the Fund valued as of the first day of the Organization's fiscal year (January 1).

8. Endowment
Continued

Return Objectives and Risk Parameters

The Organization's primary investment objectives are (1) the long-term preservation of the real (inflation adjusted) purchasing power of endowment assets and income, after accounting for endowment spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The endowment will be invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.

Changes in endowment net assets for the years ended December 31, 2011 and 2010 are as follows:

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ -	$ 1,800,200	$ 1,800,200
Interest and unrealized gains	-	53,631	(37,476)	16,155
Transfer of endowment balance	-	1,475,783	(1,475,783)	-
Release of endowment funds	-	(1,085,055)	-	(1,085,055)
Expenses and unrealized losses	-	(10,886)	-	(10,886)
Endowment net assets, end of the year	$ -	$ 433,473	$ 286,941	$ 720,414

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ -	$ 1,705,549	$ 1,705,549
Interest and unrealized gains	-	-	94,651	94,651
Endowment net assets, end of the year	$ -	$ -	$ 1,800,200	$ 1,800,200

9. Commitments And Contingencies

As of December 31, 2011, the Organization has a commitment to pay a construction company and a subcontractor for contracted building construction costs of approximately $818,000, which construction is anticipated to be completed during 2012.