



**ANIMAL WELFARE SOCIETY, INC.**

**AUDIT OF FINANCIAL STATEMENTS  
AND  
ADDITIONAL INFORMATION**

**YEAR ENDED MARCH 31, 2011**

**ANIMAL WELFARE SOCIETY, INC.**  
**AUDIT OF FINANCIAL STATEMENTS**  
**AND**  
**ADDITIONAL INFORMATION**  
**YEAR ENDED MARCH 31, 2011**

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**1960 - 2010**

**INDEPENDENT AUDITORS' REPORT**

August 16, 2011

Board of Directors  
Animal Welfare Society, Inc.  
Kennebunk, Maine

We have audited the accompanying statement of financial position of the Animal Welfare Society, Inc. as of March 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Society's March 31, 2010 financial statements and, in our report dated August 18, 2010, we expressed an unqualified opinion on those financial statements.

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 the Animal Welfare Society, Inc. as of March 31, 2011, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Cummings, Lamont + McNamee PA*

**Certified Public Accountants**  
**Kennebunk, Maine**

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ANIMAL WELFARE SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2011  
WITH COMPARATIVE TOTALS FOR MARCH 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	March 31, 2010 Total (Memorandum Only)
<b>ASSETS</b>					
Cash	\$ 55,552	\$ 94,299	\$ -	\$ 149,851	\$ 133,216
Accounts receivable	3,324	-	-	3,324	2,243
Bequests receivable	2,596	-	-	2,596	-
Investments	1,717,534	-	224,989	1,942,523	1,684,599
Inventory	26,564	-	-	26,564	19,088
Prepaid expenses	14,985	-	-	14,985	11,971
Beneficial interest in charitable trusts	133,400	16,321	190,922	340,643	311,400
Property and equipment, net	651,321	-	-	651,321	660,278
Total Assets	<u>\$2,605,276</u>	<u>\$ 110,620</u>	<u>\$ 415,911</u>	<u>\$3,131,807</u>	<u>\$ 2,822,795</u>
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 72,269	\$ -	\$ -	\$ 72,269	\$ 52,834
Accrued salaries	43,756	-	-	43,756	40,002
Deferred revenue	37,568	-	-	37,568	33,324
Total Liabilities	<u>153,593</u>	<u>-</u>	<u>-</u>	<u>153,593</u>	<u>126,160</u>
<b>NET ASSETS</b>					
Unrestricted:					
Designated as funds functioning as endowment	1,385,644	-	-	1,385,644	1,250,997
Undesignated	1,066,039	-	-	1,066,039	973,315
Temporarily restricted	-	110,620	-	110,620	75,856
Permanently restricted	-	-	415,911	415,911	396,467
Total Net Assets	<u>2,451,683</u>	<u>110,620</u>	<u>415,911</u>	<u>2,978,214</u>	<u>2,696,635</u>
Total Liabilities and Net Assets	<u>\$2,605,276</u>	<u>\$ 110,620</u>	<u>\$ 415,911</u>	<u>\$3,131,807</u>	<u>\$ 2,822,795</u>

See Notes to Financial Statements

ANIMAL WELFARE SOCIETY, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED MARCH 31, 2011

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	March 31, 2010 Total (Memorandum Only)
<b>SUPPORT AND REVENUE</b>					
Donations and bequests	\$ 509,849	\$ 161,412	\$ -	\$ 671,261	\$ 553,276
Membership dues	33,886	-	-	33,886	41,813
Municipal fees	159,062	-	-	159,062	144,494
Adoption fees	228,466	-	-	228,466	231,054
Miscellaneous fees and income	90,644	-	-	90,644	89,756
Fundraising and special events	109,536	877	-	110,413	75,979
Interest and dividends	51,724	-	-	51,724	45,976
Gains (losses) on investments	165,456	-	-	165,456	417,470
Gains (losses) on charitable trusts	14,229	3,829	19,444	37,502	49,631
Gains (losses) on disposal of asset	(265)	-	-	(265)	(3,348)
Net assets released from restrictions	131,354	(131,354)	-	-	-
<b>Total Support and Revenue</b>	<b>1,493,941</b>	<b>34,764</b>	<b>19,444</b>	<b>1,548,149</b>	<b>1,646,101</b>
<b>EXPENSES</b>					
Program service	1,041,996	-	-	1,041,996	982,360
Management and general	123,869	-	-	123,869	117,445
Fundraising and special events	100,705	-	-	100,705	92,562
<b>Total Expenses</b>	<b>1,266,570</b>	<b>-</b>	<b>-</b>	<b>1,266,570</b>	<b>1,192,367</b>
<b>CHANGE IN NET ASSETS</b>	<b>227,371</b>	<b>34,764</b>	<b>19,444</b>	<b>281,579</b>	<b>453,734</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,224,312</b>	<b>75,856</b>	<b>396,467</b>	<b>2,696,635</b>	<b>2,242,901</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$2,451,683</b>	<b>\$ 110,620</b>	<b>\$ 415,911</b>	<b>\$2,978,214</b>	<b>\$ 2,696,635</b>

See Notes to Financial Statements

**ANIMAL WELFARE SOCIETY, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED MARCH 31, 2011**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010**

		March 31, 2010 (Memorandum Only)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 281,579	\$ 453,734
Adjustments to reconcile change in net assets to net cash provided by (used in) in operating activities:		
Depreciation	72,916	70,472
(Gains) losses on investments	(168,274)	(422,271)
(Gains) losses on charitable trusts	(37,502)	(49,631)
(Gains) losses on disposal of fixed asset	265	3,348
Changes in operating assets and liabilities:		
Accounts receivable	(1,081)	2,540
Bequests receivable	(2,596)	-
Inventory	(7,476)	(2,269)
Prepaid expenses	(3,014)	(2,965)
Accounts payable and accrued expenses	19,435	4,453
Accrued salaries	3,754	(2,603)
Deferred revenue	4,244	114
Net cash provided by (used in) operating activities	<u>162,250</u>	<u>54,922</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	665,599	590,187
Purchases of investments	(755,249)	(684,907)
Cash paid for purchase of property and equipment	<u>(64,224)</u>	<u>(18,225)</u>
Net cash provided by (used in) investing activities	<u>(153,874)</u>	<u>(112,945)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from charitable lead unitrust	<u>8,259</u>	<u>7,147</u>
Net cash provided by (used in) financing activities	<u>8,259</u>	<u>7,147</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>16,635</b>	<b>(50,876)</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>133,216</b></u>	<u><b>184,092</b></u>
<b>CASH, END OF YEAR</b>	<u><u><b>\$ 149,851</b></u></u>	<u><u><b>\$ 133,216</b></u></u>

**SUPPLEMENTAL CASH FLOW DISCLOSURES:**

There were no cash payments for income taxes or interest for the year ended March, 31, 2011.

There were no noncash investing and financing activities for the year ended March 31, 2011.

*See Notes to Financial Statements*

ANIMAL WELFARE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2011

Note 1 – Summary of Significant Accounting Policies

Nature of Activities - The Animal Welfare Society, Inc. ("Society") is a not-for-profit Maine corporation organized May 31, 1967. The Society exists to provide humane shelter and care to animals temporarily in need of housing, and to further the cause of responsible animal adoption and ownership through education and public awareness. The Society actively promotes kindness, the elimination of cruelty and neglect to all animals, and the lifelong commitment of people to their pets. The Society's principal sources of revenue are donations, fees, investment income and fundraising activities.

Basis of Accounting - The financial statements of the Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other accruals, if applicable.

Basis of Presentation - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. Under this standard, the Society 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.

Unrestricted net assets – Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by activities of the Society and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Society. Generally, the donors of the assets permit the Society to use all or part of the income earned on related investments for general or specific purposes.

Cash - For purposes of the Statement of Cash Flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets - Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services - Donated services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Accounting Estimates and Assumptions - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported support revenues and expenses. Actual results could differ from those estimates.

Expense Allocation - The costs of providing various programs and other 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.

Income Tax Status - The Society is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The federal return of organization exempt from income tax of the Society is subject to examination generally for three years after it was filed. The Society does not believe that there are any uncertain tax positions taken in preparation of the return that would impact these financial statements.

Inventory - Inventory is valued at the lower of cost (first-in, first-out) or market and consists of veterinary supplies, cookbooks, apparel and other items held for sale.

ANIMAL WELFARE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2011

Note 1 – Summary of Significant Accounting Policies (continued)

Investments - The Society carries investments in marketable securities with readily determinable fair values and all investments in debt securities 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.

Promises to Give - Unconditional promises to give are recorded as received. Unconditional promises to give due in subsequent years are recorded at their present value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Property and Equipment - Purchased land, buildings, furnishings and equipment are carried at cost. Contributed assets are carried at their fair market value at the time of the gift. Major additions are included in the property accounts while maintenance and repairs which do not improve or extend the life of the assets are expensed currently. Depreciation is computed using the straight-line and declining balance methods of depreciation over the assets' estimated lives as follows:

<u>Assets</u>	<u>Life in Years</u>
Buildings	15-30
Land improvements	10
Equipment	5-10

Recognition of Donor-Restricted Contributions - Support that is restricted by the donor 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.

Concentration of Credit Risk for Cash Held in Banks and Brokerage Accounts - The Society maintains cash balances at a local bank and in brokerage accounts, and deposits are insured by the Federal Deposit Insurance Corporation or the Securities Investor Protection Corporation. At March 31, 2011, cash held at the local bank totaled \$64,881. The book value was \$60,185. Cash held in brokerage accounts totaled \$42,034. The book value was \$87,565. At March 31, 2011, no cash balances were uninsured.

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended March 31, 2010, from which the summarized information was derived.

Reclassification – Certain amounts for the year ended March 31, 2010 have been reclassified to confirm with the financial statement presentation for the year ended March 31, 2011.

Note 2 – Cash

Cash is available for the following purposes as of March 31, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Designated as funds functioning as endowment	\$ 83,426	\$ -	\$ 83,426
Undesignated	66,425	-	66,425
Restricted to the Improving the View Project	-	7,556	7,556
Restricted to the Courtyard Project	-	9,842	9,842
Restricted to Spay/Neuter Clinic	-	33,307	33,307
Restricted to Animal Resource Center	-	10,000	10,000
Restricted to other uses	-	33,594	33,594
Restriction funded in Investments	(94,299)	-	(94,299)
Total	\$ 55,552	\$ 94,299	\$ 149,851

**ANIMAL WELFARE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2011**

**Note 3 – Investments**

The Society elected to report their investments at fair value. The Statement of Financial Accounting Standards, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, specifies that investments in equity securities with readily determinable fair values should be reported at their fair value.

Investments as of March 31, 2011, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>
Corporate stocks and bonds	\$ 1,468,468	\$ 1,770,711
US Government obligations	<u>170,615</u>	<u>171,812</u>
Total	\$ <u>1,639,083</u>	\$ <u>1,942,523</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended March 31, 2011:

	<u>Unrestricted</u>
Investment income	\$ 51,724
Net realized and unrealized gains	<u>165,456</u>
Total investment return	\$ <u>217,180</u>

At March 31, 2011 \$94,299 of the fair value of investments was restricted.

**Note 4 – Fair Values of Assets**

Effective April 1, 2008, the Society adopted Statement of Financial Accounting Standards, *Fair Value Measurements*, which provides a framework for measuring fair value under GAAP. This standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also established a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

There are three general valuation techniques that may be used to measure fair value, as described below:

- A) Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other resources;
- B) Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
- C) Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques, and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Assets itemized below were measured at fair value during the year ended using the market approach for Level 1 measurements and income approach for Level 2 measurements.

ANIMAL WELFARE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2011

Note 4 – Fair Values of Assets (continued)

		<u>Fair Value Measurements Using</u>		
	<u>Fair Value</u>	<u>Quoted Prices In Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
<u>March 31, 2011</u>				
Investment in equities	\$ 1,516,608	\$ 1,516,608	\$ -	\$ -
Investment in corporate bonds	254,103	254,103	-	-
Investment in government bonds	171,812	171,812	-	-
Beneficial interest in charitable trusts	<u>340,643</u>	<u>324,322</u>	<u>16,321</u>	-
Total Assets	<u>\$ 2,283,166</u>	<u>\$ 2,266,845</u>	<u>\$ 16,321</u>	<u>\$ -</u>

Note 5 – Property and Equipment

Property and equipment consists of the following at March 31, 2011:

Land	\$ 67,210
Buildings	1,127,470
Land improvements	261,353
Equipment	156,275
Automobile	<u>17,024</u>
	1,629,332
Less accumulated depreciation	<u>978,011</u>
Total property and equipment	\$ <u>651,321</u>

Note 6 – Line of Credit

In December 2010, the Society obtained a \$200,000 revolving line of credit from Kennebunk Savings Bank to help finance its short-term cash flow needs. This line is collateralized by the Society's real property located in York County and any rents on the property. Interest is payable monthly on outstanding balances at an interest rate equal to the annual U.S. Prime Rate as published in the "Wall Street Journal" (which was 3.250% at the time of the agreement). At March 31, 2011, the line's effective rate of interest was 3.250%. There were no borrowings under the line of credit during the year.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

Restricted to the Improving the View Project	\$ 7,556
Restricted to the Courtyard Project	9,842
Restricted to the Spay/Neuter Clinic	33,307
Restricted to Animal Resource Center	10,000
Restricted to other uses	33,594
Contributions receivable from a charitable lead unitrust, Note 10	<u>16,321</u>
Total	\$ <u>110,620</u>

ANIMAL WELFARE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2011

**Note 7 – Temporarily Restricted Net Assets (continued)**

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

Purpose restrictions accomplished:

Restricted to the Spay/Neuter	\$ 38,894
Restricted to the Spay/Neuter Clinic	41,693
Restricted to Ogunquit Dog Park	16,235
Other restricted amounts	26,273
Time restrictions expired on contributions receivable from a charitable lead unitrust	<u>8,259</u>
Total restrictions released	\$ <u>131,354</u>

**Note 8 – Permanently Restricted Net Assets**

Permanently restricted net assets consist of the following:

Donor-designated endowment funds, Note 10	\$ 224,989
Beneficial interest in a charitable foundation, Note 11	<u>190,922</u>
Total	\$ <u>415,911</u>

**Note 9 – Endowment Funds**

In January 2009, the Financial Accounting Standards Board (FASB) issued FASB Staff Position, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds* ("the Staff Position"). The Staff Position provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The Staff Position also requires additional disclosures about an organization's endowment fund (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of Maine enacted UPMIFA in 2009, the provisions of which apply to endowment funds existing on or established after that date. The Society has adopted the Staff Position for the year ended March 31, 2010. The Society's endowment investing policy's objective is to grow the fund over time to support the purposes as defined above. The fund will meet this objective by investing endowment funds in fixed income and equity investments. The Society spends the earnings of the above funds for purposes as deemed necessary by the Society.

As of March 31, 2011, the Society had endowment funds totaling \$1,610,632 consisting of both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, 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.

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Society 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.

**ANIMAL WELFARE SOCIETY, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2011**

**Note 9 – Endowment Funds (continued)**

As of March 31, 2011, the Board of Directors of the Society had designated \$1,385,644 of unrestricted net assets as a general endowment fund to support the mission of the Society. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Society's investment spending policy consists of distributing monthly, the previous month's net investment income including interest, dividends and capital gain distributions from investments. The distributions do not account for any change in the fair value of the endowment fund. Accordingly, over the long-term, the Society expects the current policy to allow its endowment funds to grow at an average of 3-4% annually. This is consistent with the Society's objective to attempt to provide a predictable stream of funding from its endowment funds while also maintaining the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Endowment Net Asset Composition by fund as of March 31, 2011 are as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Donor-designated endowment funds	\$ -	\$ 224,989	\$ 224,989
Board-designated endowment funds	<u>1,385,644</u>	<u>-</u>	<u>1,385,644</u>
Total	\$ <u>1,385,644</u>	\$ <u>224,989</u>	\$ <u>1,610,632</u>

Changes in endowment net assets as of March 31, 2011 is as follows:

	Unrestricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 1,250,997	\$ 224,989	\$ 1,475,986
Stock Donation	1,559	-	1,559
Investment income net of fees	130,357	-	130,357
Distributions ( )	( 37,573 )	-	( 37,573 )
Unrealized gains on endowment	<u>40,303</u>	<u>-</u>	<u>40,303</u>
Total	\$ <u>1,385,643</u>	\$ <u>224,989</u>	\$ <u>1,610,632</u>

**Note 10 – Charitable Trusts**

The Society is beneficiary of the following three charitable trusts at March 31, 2011:

**Unrestricted:**

The Society is beneficiary of a charitable trust which is administered by a related trustee. Both income and principal are available for the Society's use. The trust owned assets with a market value of \$133,400 as of March 31, 2011. There were no distributions from the trust during fiscal 2011.

**Temporarily restricted:**

The Society is beneficiary of 33.33% of a charitable lead unitrust held and administered by outside trustees. The Society will receive annual distributions based upon the market value of assets in the trust until its termination on March 31, 2013. The present value of expected future distributions is \$16,321 as of March 31, 2011. Distributions from the unitrust totaled \$8,259 during fiscal year 2011.

ANIMAL WELFARE SOCIETY, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2011

Note 10 – Charitable Trusts (continued)

Permanently restricted:

The Society is beneficiary of 8.33% of a charitable foundation held and administered by outside trustees. The Society will receive annual distributions based upon the income of the trust in perpetuity. The trust owned assets for the benefit of the Society with a market value of \$190,922 as of March 31, 2011. Distributions from the trust totaled \$6,562 during fiscal year 2011.

Note 11 – Donated Services

Donated services included in the financial statements consist of accounting and other services with a value of \$6,955. In addition, a substantial number of volunteers have donated significant amounts of their time in the Society's operations, program services and fundraising activities which is not recognized in the financial statements because it does not meet the criteria described in Note 1.

Note 12 – Retirement Plan

The Society has established a defined contribution plan covering all employees with at least \$5,000 in annual compensation who agree to make contributions to the plan. The Society matches participants' contributions to the plan up to 3% of the individual participant's compensation. Total expense for the year ended March 31, 2011, was \$14,620.

Note 13 – Subsequent Events

Subsequent events have been evaluated through August 16, 2011, which is the date the financial statements were available to be issued. There were no material events at August 16, 2011 that would require disclosure in the financial statements.

INDEPENDENT AUDITORS' REPORT  
ON ADDITIONAL INFORMATION

August 16, 2011

Board of Directors  
Animal Welfare Society, Inc.  
Kennebunk, Maine

We have audited the financial statements of the Animal Welfare Society, Inc. as of and for the year ended March 31, 2011, and have issued our report thereon dated August 16, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for the 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.

*Cumming, Lamont & McNamee PA*

*Certified Public Accountants  
Kennebunk, Maine*

**ANIMAL WELFARE SOCIETY, INC.**

**SCHEDULE OF FUNCTIONAL EXPENSES**

**YEAR ENDED MARCH 31, 2011**

**WITH COMPARATIVE TOTALS FOR THE YEAR ENDED MARCH 31, 2010**

	Program Service	Management and General	Fundraising and Special Events	Total	March 31, 2010 Total (Memorandum Only)
Automobile expense	\$ 6,024	\$ 1,085	\$ 106	\$ 7,215	\$ 9,419
Computer consulting and expense	1,660	509	-	2,169	1,699
Depreciation expense	65,581	5,104	2,231	72,916	70,472
Dog park expense	26,344	-	-	26,344	460
Education	11,036	-	-	11,036	3,571
Emergency Disaster Relief	236	-	-	236	7,854
Food	2,215	-	-	2,215	2,348
Fundraising and special events	2,138	5,508	16,092	23,738	19,436
Insurance	37,781	5,142	3,370	46,293	57,248
Internet and web site	1,431	194	-	1,625	2,449
Investment fees	-	12,031	-	12,031	10,373
Miscellaneous	6,252	14,662	2,889	23,803	20,606
Occupancy and telephone	46,433	3,288	705	50,426	40,658
Office supplies and postage	7,413	3,202	7,658	18,273	22,575
Paws Across America expenses	5,655	-	-	5,655	5,686
Payroll and payroll taxes	566,007	53,879	60,942	680,828	662,253
Printing and publications	10,274	132	5,403	15,809	19,763
Professional fees	-	16,337	-	16,337	16,175
Repairs and maintenance	28,246	1,639	-	29,885	20,920
Retirement expense	12,154	1,157	1,309	14,620	15,672
Shelter operations	29,201	-	-	29,201	27,226
Spay/Neuter program	5,003	-	-	5,003	4,548
Veterinary fees	125,548	-	-	125,548	111,926
Veterinary supplies and other	41,462	-	-	41,462	36,081
Volunteer expenses	3,902	-	-	3,902	2,949
Total Expenses	<u>\$ 1,041,996</u>	<u>\$ 123,869</u>	<u>\$ 100,705</u>	<u>\$ 1,266,570</u>	<u>\$ 1,192,367</u>

*See Independent Auditors' Report on Page 12*