

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2007 AND 2006

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

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INDEPENDENT AUDITOR'S REPORT

April 9, 2008

Board of Directors  
The Humane Society for Seattle/King County  
Bellevue, Washington

We have audited the accompanying statements of financial position of The Humane Society for Seattle/King County (a nonprofit corporation) as of March 31, 2007 and 2006, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the management of The Humane Society for Seattle/King County. 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 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 for Seattle/King County as of March 31, 2007 and 2006, 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.

*Jacobson Jarvis & Co, PLLC*

Jacobson Jarvis & Co, PLLC

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 664,901	\$ 1,848,507
Investments	3,117,445	1,780,137
Bequests receivable	195,000	153,858
Prepaid expenses and other assets	24,575	55,515
Inventory	<u>93,047</u>	<u>89,468</u>
Total Current Assets	4,094,968	3,927,485
Property and Equipment, net	<u>689,472</u>	<u>583,125</u>
	<u>\$ 4,784,440</u>	<u>\$ 4,510,610</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 260,710	\$ 224,456
Unearned revenue	125,485	32,935
Current portion of capital lease obligations	<u>3,554</u>	<u>3,415</u>
Total Current Liabilities	389,749	260,806
Capital Lease Obligations, less current portion above	<u>8,206</u>	<u>11,760</u>
Total Liabilities	<u>397,955</u>	<u>272,566</u>
Net Assets		
Unrestricted	3,382,989	3,391,929
Unrestricted - invested in property and equipment	<u>677,712</u>	<u>567,950</u>
Total Unrestricted Net Assets	4,060,701	3,959,879
Temporarily restricted	183,346	138,891
Permanently restricted	<u>142,438</u>	<u>139,274</u>
Total Net Assets	<u>4,386,485</u>	<u>4,238,044</u>
	<u>\$ 4,784,440</u>	<u>\$ 4,510,610</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2007 AND 2006

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Public Support								
Contributions	\$ 1,425,436	\$ 106,748	\$ 3,164	\$ 1,535,348	\$ 1,291,091	\$ 212,781	\$ 8,278	\$ 1,512,150
Bequests	243,244	-	-	243,244	275,995	-	-	275,995
Special events, less direct cost of benefits provided to participants of \$126,232 and \$97,102	397,412	118,134	-	515,546	408,469	78,315	-	486,784
In-kind donations	45,246	-	-	45,246	35,407	-	-	35,407
Total Public Support	<u>2,111,338</u>	<u>224,882</u>	<u>3,164</u>	<u>2,339,384</u>	<u>2,010,962</u>	<u>291,096</u>	<u>8,278</u>	<u>2,310,336</u>
Revenue								
Adoption fees	337,079			337,079	350,120			350,120
Boarding	212,894			212,894	199,613			199,613
Other program service fees	240,930			240,930	266,889			266,889
Merchandise sales, net of cost of goods sold of \$29,220 and \$27,440	19,851			19,851	22,192			22,192
Total Revenue	<u>810,754</u>			<u>810,754</u>	<u>838,814</u>			<u>838,814</u>
Net Assets Released from Purpose Restrictions	180,427	(180,427)		-	243,356	(243,356)		-
Total Public Support and Revenue	<u>3,102,519</u>	<u>44,455</u>	<u>3,164</u>	<u>3,150,138</u>	<u>3,093,132</u>	<u>47,740</u>	<u>8,278</u>	<u>3,149,150</u>
Expenses								
Program services	2,471,110			2,471,110	2,275,815			2,275,815
Management and general	298,011			298,011	276,121			276,121
Fundraising	450,557			450,557	431,812			431,812
Total Expenses	<u>3,219,678</u>			<u>3,219,678</u>	<u>2,983,748</u>			<u>2,983,748</u>
Changes in Net Assets Before Gains and (Losses)	(117,159)	44,455	3,164	(69,540)	109,384	47,740	8,278	165,402
Loss on Disposal of Property and Equipment	-			-	(81,049)			(81,049)
Investment Income, net	217,981			217,981	154,682			154,682
Total Gains and (Losses)	<u>217,981</u>			<u>217,981</u>	<u>73,633</u>			<u>73,633</u>
Total Changes in Net Assets	100,822	44,455	3,164	148,441	183,017	47,740	8,278	239,035
Net Assets - beginning of year	<u>3,959,879</u>	<u>138,891</u>	<u>139,274</u>	<u>4,238,044</u>	<u>3,776,862</u>	<u>91,151</u>	<u>130,996</u>	<u>3,999,009</u>
Net Assets - end of year	<u>\$ 4,060,701</u>	<u>\$ 183,346</u>	<u>\$ 142,438</u>	<u>\$ 4,386,485</u>	<u>\$ 3,959,879</u>	<u>\$ 138,891</u>	<u>\$ 139,274</u>	<u>\$ 4,238,044</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2007

	PROGRAM SERVICES					SUPPORTING SERVICES		
	Adoption Services	Boarding Services	Veterinarian Clinic Services	Education Programs and Other Services	Total Program Services	Management and General	Fundraising	Total
Salaries	\$1,087,101	\$ 72,912	\$ 90,916	\$ 179,191	\$ 1,430,120	\$ 229,584	\$ 116,390	\$ 1,776,094
Payroll taxes and benefits	225,207	23,381	16,699	39,976	305,263	23,396	20,839	349,498
Total Payroll Expenses	1,312,308	96,293	107,615	219,167	1,735,383	252,980	137,229	2,125,592
Food, supplies, and medicine	162,632	9,914	24,168	91,014	287,728	3,961	13,836	305,525
Printing	9,289	28	53	15,787	25,157	830	102,394	128,381
Repairs and maintenance	67,810	4,556	3,334	23,378	99,078	11,505	16,703	127,286
Fundraising support	-	-	-	-	-	-	105,133	105,133
Utilities	58,021	8,676	1,393	14,209	82,299	2,644	1,471	86,414
Depreciation	29,170	4,057	2,254	8,190	43,671	1,427	1,462	46,560
Postage	5,004	19	1,639	4,085	10,747	731	33,801	45,279
Investment and bank fees	8,758	5,631	1,850	5,888	22,127	11,495	7,102	40,724
Marketing and promotion	25,254	959	611	802	27,626	118	11,705	39,449
Professional fees	17,279	1,975	745	2,636	22,635	3,238	10,684	36,557
Insurance	25,311	1,637	1,639	872	29,459	1,282	498	31,239
Taxes and licenses	6,221	17,370	1,363	3,874	28,828	466	370	29,664
Travel and meetings	12,862	189	1,737	6,043	20,831	2,709	5,079	28,619
Telephone	16,524	1,427	236	2,078	20,265	1,418	1,459	23,142
Miscellaneous	7,775	483	1,532	4,986	14,776	2,907	954	18,637
Grants to others	-	-	-	500	500	300	677	1,477
Total Expenses	<u>\$1,764,218</u>	<u>\$ 153,214</u>	<u>\$ 150,169</u>	<u>\$ 403,509</u>	<u>\$ 2,471,110</u>	<u>\$ 298,011</u>	<u>\$ 450,557</u>	<u>\$ 3,219,678</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2006

	PROGRAM SERVICES					SUPPORTING SERVICES		
	Adoption Services	Boarding Services	Spay and Neuter Clinic	Humane Education and Other Services	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 964,829	\$ 65,005	\$ 41,332	\$ 207,777	\$ 1,278,943	\$ 143,114	\$ 148,895	\$ 1,570,952
Payroll taxes and benefits	179,218	17,670	12,881	36,755	246,524	23,161	30,037	299,722
Total Payroll Expenses	1,144,047	82,675	54,213	244,532	1,525,467	166,275	178,932	1,870,674
Food, supplies, and medicine	162,691	12,763	11,545	70,526	257,525	5,528	14,842	277,895
Printing	1,161	-	1,145	11,289	13,595	752	80,418	94,765
Repairs and maintenance	42,699	3,670	1,854	15,264	63,487	6,980	10,029	80,496
Fundraising support	46	-	-	3	49	-	68,132	68,181
Utilities	45,989	7,134	1,139	11,639	65,901	2,073	1,475	69,449
Depreciation	36,806	6,461	3,768	8,986	56,021	3,563	4,478	64,062
Postage	1,760	3	44	4,245	6,052	1,782	37,269	45,103
Investment and bank fees	9,648	5,758	2,302	5,424	23,132	6,746	5,040	34,918
Marketing and promotion	43,339	921	1,039	9,277	54,576	193	4,790	59,559
Professional fees	16,562	1,717	676	2,250	21,205	66,977	10,955	99,137
Insurance	24,951	1,516	1,609	884	28,960	1,106	640	30,706
Taxes and licenses	6,151	3,177	1,460	4,403	15,191	616	(214)	15,593
Travel and meetings	15,263	139	512	1,258	17,172	4,318	967	22,457
Telephone	11,068	704	700	1,583	14,055	538	151	14,744
Miscellaneous	8,545	261	617	7,525	16,948	3,621	2,775	23,344
Grants to others	-	-	-	93,363	93,363	-	-	93,363
Capital campaign study	2,903	-	23	190	3,116	5,053	11,133	19,302
Total Expenses	<u>\$1,573,629</u>	<u>\$ 126,899</u>	<u>\$ 82,646</u>	<u>\$ 492,641</u>	<u>\$ 2,275,815</u>	<u>\$ 276,121</u>	<u>\$ 431,812</u>	<u>\$ 2,983,748</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from donors	\$ 2,453,220	\$ 2,544,109
Cash received from adoptions	337,079	350,120
Cash received from other program service fees	240,930	266,889
Cash received from boarders	210,794	197,729
Cash received from sale of merchandise	49,071	49,632
Cash received from interest	125,005	96,638
Cash paid to employees	(2,115,485)	(1,852,158)
Cash paid to vendors	(1,101,534)	(1,081,886)
Interest paid	<u>(545)</u>	<u>(679)</u>
Net Cash Provided by Operating Activities	<u>198,535</u>	<u>570,394</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(152,907)	(21,058)
Purchases of investments	(1,225,941)	(713,708)
Sales of investments	<u>122</u>	<u>211,911</u>
Net Cash Used by Investing Activities	<u>(1,378,726)</u>	<u>(522,855)</u>
<b>Cash Flows Used by Financing Activities</b>		
Repayments on capital lease obligations	<u>(3,415)</u>	<u>(3,282)</u>
Change in Cash and Cash Equivalents	(1,183,606)	44,257
Cash and Cash Equivalents - beginning of year	<u>1,848,507</u>	<u>1,804,250</u>
Cash and Cash Equivalents - end of year	<u>\$ 664,901</u>	<u>\$ 1,848,507</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2007 AND 2006

	<u>2007</u>	<u>2006</u>
<b>Reconciliation of Changes in Net Assets to Net Cash Flows from by Operating Activities</b>		
Changes in net assets	\$ 148,441	\$ 239,035
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	46,560	64,062
Donation of investments	(18,558)	(534)
Net gain on investments	(92,976)	(58,044)
Loss on disposal of property and equipment	-	81,049
(Increase) decrease in		
Bequests receivable	(41,142)	259,262
Prepaid expenses	30,940	41,283
Inventory	(3,534)	(6,171)
Increase (decrease) in		
Accounts payable and accrued expenses	36,254	37,102
Unearned revenue	<u>92,550</u>	<u>(86,650)</u>
Net Cash Provided by Operating Activities	<u>\$ 198,535</u>	<u>\$ 570,394</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Humane Society for Seattle/King County (the Seattle Humane Society) is an independent, not-for-profit, community-supported organization. First opening its doors in 1897, the Seattle Humane Society is not a chapter or affiliate of any national animal organization. The Seattle Humane Society's mission is to provide the resources and support necessary to build lifelong relationships between people and their pets.

Major programs and services offered to the community include the following:

**Adoption Services:** The Seattle Humane Society accepts cats and dogs from the public and transfers from municipal shelters, as well as a variety of small animals, including rabbits, other rodents, and birds, and keeps them available for adoption providing medical care and training as needed. Adoptable companion animals are provided to the general public for a fee and provided to senior citizens and disabled individuals at discounted fees or at no charge. The Seattle Humane Society neither euthanizes animals for lack of space nor places time limits on animals available for adoption, as long as they remain healthy. For the years ended March 31, 2007 and 2006, the placement rate was 82.9% and 77.3%, respectively.

**Boarding Services:** The Seattle Humane Society offers animal boarding (dogs only) and bathing services to pet owners in the community on a fee for service basis.

**Spay and Neuter Clinic:** The Seattle Humane Society operates a spay/neuter clinic for low-income pet owners and offers microchipping services. Spay or neuter surgery is performed on every dog or cat prior to adoption.

**Education Programs and Other Services:** The Seattle Humane Society is the cornerstone of nurturing successful relationships between people and pets. Workshops focus on strengthening companionship, such as Introducing Babies and Pets, or animal behavior topics. The Seattle Humane Society's dog training classes enhance companionship by not only training animals to better dispositions but also improving their socialization skills. Other programs and services include:

- *Community Outreach Programs:* The Seattle Humane Society provides a variety of services and programs for the community.
- *Pet Loss Support Group:* Because the death of your animal friend can be one of the most difficult experiences you face, we offer a free Pet Loss Support Group with trained facilitators.
- *Pet Food Bank:* The Seattle Humane Society provides pet food to pets of low-income senior citizens.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *Pet Project:* The Seattle Humane Society provides pet food, litter, grooming services, and veterinary care to pets of low-income individuals disabled by AIDS.
- *Adventure Camp for Kids:* The Seattle Humane Society offers summer sessions for school age children to have fun while learning about animals.
- *Humane Teen Club:* The Humane Teen Club (HTC) provides volunteer opportunities for young people and expose them to the benefits of animal companionship. This program is for 13-15 year olds, the HTC focuses on the importance of animal companionship and welfare.
- *Theme Birthday Parties:* Children can have a special animal theme birthday celebration at the Seattle Humane Society and learn about pets while having fun.
- *Visiting Pets Program:* Seattle Humane Society volunteers with their dogs, cats and even birds and a bunny visit facilities for seniors, adults and children with disabilities, and people recovering from chemical dependency. This program enriches the physical and psychological well-being of the people we visit and promotes the human-animal bond.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

The net assets of the Society are classified as follows:

Unrestricted net assets are available without restriction for support of the Society's mission.

Temporarily restricted net assets are restricted by the donors to be used for certain purposes or future periods. Temporarily restricted net assets are as follows:

	<u>2007</u>	<u>2006</u>
Disaster preparedness	\$ 60,626	\$ 71,263
Behavior program	82,665	-
Various projects benefiting animals	40,055	67,628
	<u>\$ 183,346</u>	<u>\$ 138,891</u>

Permanently restricted net assets are endowment gifts given with the intent that the principal will be maintained intact in perpetuity, and the income may be used for current operations.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

Cash and cash equivalents

Cash and cash equivalents consist of checking, savings, and money market accounts. The Society maintains cash deposits in bank accounts which exceed federally insured limits. The Society has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk. Cash and cash equivalents of \$142,438 are related to endowment funds.

Investments

Investments are carried at market value and consist of the following at March 31,

	<u>2007</u>	<u>2006</u>
Equity securities	\$ 2,025,301	\$ 680,015
Corporate and government bonds	<u>1,092,144</u>	<u>1,100,122</u>
	<u>\$ 3,117,445</u>	<u>\$ 1,780,137</u>

Bequest receivable

The Society has been named as beneficiary in certain bequests. At such time as the Society is notified by the Executor as to the amount of the bequest to be received, bequest revenue and related receivable are recorded. Bequests receivable is stated at estimated net realizable value.

Federal income taxes

The Internal Revenue Service has recognized the Society as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation. However, income from the Society's boarding services is subject to taxation as unrelated business income.

Inventory

Inventory is stated at the lower of cost or market under the first-in, first-out method of accounting and consists of merchandise, medical supplies, pet food, and supplies.

Property and equipment

Land, building and equipment are stated at cost. Long-lived asset purchases that exceed \$2,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment consisted of the following at March 31,

	Estimated <u>Useful Lives</u>	<u>2007</u>	<u>2006</u>
Land		\$ 296,524	\$ 296,524
Building	5 - 35 years	1,411,742	1,295,645
Equipment	5 - 10 years	<u>617,871</u>	<u>581,061</u>
		2,326,137	2,173,230
Less accumulated depreciation		<u>(1,636,665)</u>	<u>(1,590,105)</u>
		<u>\$ 689,472</u>	<u>\$ 583,125</u>

Restricted and unrestricted support

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reported as net assets released from restrictions.

Gifts of equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Functional allocation of expenses

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

In-kind donations

In accordance with financial accounting standards, the financial statements reflect only those contributed services requiring specific expertise, which the Society would otherwise need to purchase. However, many individuals volunteer their time and perform a variety of tasks, such as assisting the society with adoptions, foster parenting, special events, and dog behavior and socialization. During the years ended March 31, 2007 and 2006, the Society received approximately 80,300 and 71,800 volunteer hours, respectively.

Contributed goods and services are recorded at rates that would have been paid for similar goods and services if purchased and are included in contributions.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2007 AND 2006

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the years ended March 31, 2007 and 2006, in-kind goods and services of \$45,246 and \$35,407, respectively, were used for program services.

Advertising

The Society expenses the production costs of advertising as incurred. Advertising expense was \$39,449 and \$59,559 for the years ended March 31, 2007 and 2006, respectively, and is included in marketing and promotion expense.

NOTE B - COMMITMENT

The Society leases certain equipment with a total recorded cost of \$18,724 and accumulated amortization of \$7,490 as of March 31, 2007 under a non-cancelable capital lease. Total monthly payments are \$330 including interest of 4% per annum. Scheduled lease payments are as follows:

	Years ending March 31,	
	2008	\$ 3,960
	2009	3,960
	2010	3,960
	2011	<u>660</u>
		12,540
Less amounts for interest		<u>(780)</u>
		11,760
Less current portion		<u>(3,554)</u>
		<u>\$ 8,206</u>