

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2008 AND 2007

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

**TABLE OF CONTENTS**

INDEPENDENT AUDITOR'S REPORT	2
STATEMENTS OF FINANCIAL POSITION March 31, 2008 and 2007	3
STATEMENTS OF ACTIVITIES Years ended March 31, 2008 and 2007	4
STATEMENTS OF FUNCTIONAL EXPENSES Year ended March 31, 2008	5
Year ended March 31, 2007	6
STATEMENTS OF CASH FLOWS Years ended March 31, 2008 and 2007	7-8
NOTES TO FINANCIAL STATEMENTS	9-13

INDEPENDENT AUDITOR'S REPORT

January 21, 2009

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, 2008 and 2007, 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, 2008 and 2007, 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, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,120,251	\$ 664,901
Investments	2,872,737	3,117,445
Bequests receivable	175,000	195,000
Prepaid expenses and other assets	25,621	24,575
Inventory	117,003	93,047
	<u>4,310,612</u>	<u>4,094,968</u>
Property and Equipment, net	917,245	689,472
	<u>\$ 5,227,857</u>	<u>\$ 4,784,440</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 273,785	\$ 260,710
Unearned revenue	106,425	125,485
Current portion of capital lease obligations	3,699	3,554
	<u>383,909</u>	<u>389,749</u>
Capital Lease Obligations, less current portion above	4,507	8,206
	<u>388,416</u>	<u>397,955</u>
Net Assets		
Unrestricted	3,592,651	3,382,989
Unrestricted - invested in property and equipment	909,039	677,712
	<u>4,501,690</u>	<u>4,060,701</u>
Temporarily restricted	186,765	183,346
Permanently restricted	150,986	142,438
	<u>4,839,441</u>	<u>4,386,485</u>
	<u>\$ 5,227,857</u>	<u>\$ 4,784,440</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2008 AND 2007

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Public Support								
Contributions	\$ 1,918,011	\$ 119,661	\$ 8,548	\$ 2,046,220	\$ 1,425,436	\$ 106,748	\$ 3,164	\$ 1,535,348
Bequests	479,194	-	-	479,194	243,244	-	-	243,244
Special events, less direct cost of benefits provided to participants of \$131,144 and \$126,232	451,483	290,112	-	741,595	397,412	118,134	-	515,546
In-kind donations	96,997	-	-	96,997	45,246	-	-	45,246
Total Public Support	<u>2,945,685</u>	<u>409,773</u>	<u>8,548</u>	<u>3,364,006</u>	<u>2,111,338</u>	<u>224,882</u>	<u>3,164</u>	<u>2,339,384</u>
Revenue								
Adoption fees	303,388			303,388	337,079			337,079
Boarding	169,941			169,941	212,894			212,894
Other program service fees	352,490			352,490	240,930			240,930
Merchandise sales, net of cost of goods sold of \$25,670 and \$29,220	19,822			19,822	19,851			19,851
Total Revenue	<u>845,641</u>			<u>845,641</u>	<u>810,754</u>			<u>810,754</u>
Net Assets Released from Purpose Restrictions	406,354	(406,354)		-	180,427	(180,427)		-
Total Public Support and Revenue	<u>4,197,680</u>	<u>3,419</u>	<u>8,548</u>	<u>4,209,647</u>	<u>3,102,519</u>	<u>44,455</u>	<u>3,164</u>	<u>3,150,138</u>
Expenses								
Program services	2,840,510			2,840,510	2,471,110			2,471,110
Management and general	397,223			397,223	298,011			298,011
Fundraising	492,577			492,577	450,557			450,557
Total Expenses	<u>3,730,310</u>			<u>3,730,310</u>	<u>3,219,678</u>			<u>3,219,678</u>
Changes in Net Assets Before Gains and (Losses)	<u>467,370</u>	<u>3,419</u>	<u>8,548</u>	<u>479,337</u>	<u>(117,159)</u>	<u>44,455</u>	<u>3,164</u>	<u>(69,540)</u>
Gain on Sale of Property and Equipment	650			650	-			-
Investment Income, Gains, and Losses, net	(27,031)			(27,031)	217,981			217,981
Total Gains and (Losses)	<u>(26,381)</u>			<u>(26,381)</u>	<u>217,981</u>			<u>217,981</u>
Total Changes in Net Assets	440,989	3,419	8,548	452,956	100,822	44,455	3,164	148,441
Net Assets - beginning 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>
Net Assets - end of year	<u>\$ 4,501,690</u>	<u>\$ 186,765</u>	<u>\$ 150,986</u>	<u>\$ 4,839,441</u>	<u>\$ 4,060,701</u>	<u>\$ 183,346</u>	<u>\$ 142,438</u>	<u>\$ 4,386,485</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2008

	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	1,228,545	66,549	113,258	191,195	\$ 1,599,547	277,761	108,068	\$ 1,985,376
Payroll taxes and benefits	236,520	8,590	19,555	24,948	289,613	35,575	26,076	351,264
Total Payroll Expenses	1,465,065	75,139	132,813	216,143	1,889,160	313,336	134,144	2,336,640
Food, supplies, and medicine	182,677	14,012	36,001	98,130	330,820	3,397	19,817	354,034
Fundraising support	12,548	-	-	-	12,548	-	174,074	186,622
Repairs and maintenance	106,331	3,087	3,004	9,843	122,265	7,171	16,838	146,274
Depreciation	46,717	2,787	2,790	41,291	93,585	900	2,935	97,420
Printing	24,795	-	1,240	16,157	42,192	905	52,354	95,451
Utilities	58,808	8,745	1,369	14,270	83,192	2,193	1,453	86,838
Professional fees	25,561	2,543	1,192	3,380	32,676	39,584	6,645	78,905
Marketing and promotion	49,576	984	562	6,358	57,480	345	11,616	69,441
Postage	4,804	32	184	5,691	10,711	883	56,768	68,362
Investment and bank fees	11,683	4,514	1,561	7,138	24,896	22,433	8,916	56,245
Insurance	33,796	1,947	1,754	1,048	38,545	1,688	626	40,859
Travel and meetings	22,037	120	1,544	5,650	29,351	2,084	3,266	34,701
Miscellaneous	17,272	660	1,422	7,356	26,710	1,265	1,393	29,368
Taxes and licenses	5,012	13,673	1,881	5,648	26,214	305	640	27,159
Telephone	16,791	814	255	2,177	20,037	733	241	21,011
Grants to others	27	-	-	101	128	1	851	980
Total Expenses	<u>\$2,083,500</u>	<u>\$ 129,057</u>	<u>\$ 187,572</u>	<u>\$ 440,381</u>	<u>\$ 2,840,510</u>	<u>\$ 397,223</u>	<u>\$ 492,577</u>	<u>\$ 3,730,310</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
Fundraising support	-	-	-	-	-	-	105,133	105,133
Repairs and maintenance	67,810	4,556	3,334	23,378	99,078	11,505	16,703	127,286
Depreciation	29,170	4,057	2,254	8,190	43,671	1,427	1,462	46,560
Printing	9,289	28	53	15,787	25,157	830	102,394	128,381
Utilities	58,021	8,676	1,393	14,209	82,299	2,644	1,471	86,414
Professional fees	17,279	1,975	745	2,636	22,635	3,238	10,684	36,557
Marketing and promotion	25,254	959	611	802	27,626	118	11,705	39,449
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
Insurance	25,311	1,637	1,639	872	29,459	1,282	498	31,239
Travel and meetings	12,862	189	1,737	6,043	20,831	2,709	5,079	28,619
Miscellaneous	7,775	483	1,532	4,986	14,776	2,907	954	18,637
Taxes and licenses	6,221	17,370	1,363	3,874	28,828	466	370	29,664
Telephone	16,524	1,427	236	2,078	20,265	1,418	1,459	23,142
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

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from donors	\$ 3,258,891	\$ 2,453,220
Cash received from adoptions	303,388	337,079
Cash received from other program service fees	352,490	240,930
Cash received from boarders	167,057	210,794
Cash received from sale of merchandise	45,492	49,071
Cash received from interest	242,536	125,005
Cash paid to employees	(2,319,824)	(2,115,485)
Cash paid to vendors	(1,381,475)	(1,101,534)
Interest paid	<u>(406)</u>	<u>(545)</u>
Net Cash Provided by Operating Activities	<u>668,149</u>	<u>198,535</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(325,193)	(152,907)
Proceeds from sale of property and equipment	650	-
Purchases of investments	(871,437)	(1,225,941)
Sales of investments	<u>986,735</u>	<u>122</u>
Net Cash Used by Investing Activities	<u>(209,245)</u>	<u>(1,378,726)</u>
<b>Cash Flows Used by Financing Activities</b>		
Repayments on capital lease obligations	<u>(3,554)</u>	<u>(3,415)</u>
Change in Cash and Cash Equivalents	455,350	(1,183,606)
Cash and Cash Equivalents - beginning of year	<u>664,901</u>	<u>1,848,507</u>
Cash and Cash Equivalents - end of year	<u>\$ 1,120,251</u>	<u>\$ 664,901</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<b>Reconciliation of Changes in Net Assets to Net Cash Flows Provided by Operating Activities</b>		
Changes in net assets	\$ 452,956	\$ 148,441
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	97,420	46,560
Donation of investments	(140,202)	(18,558)
Net loss (gain) on investments	269,567	(92,976)
Gain on disposal of property and equipment	(650)	-
Decrease (increase) in		
Bequests receivable	20,000	(41,142)
Prepaid expenses and other assets	(1,046)	30,940
Inventory	(23,911)	(3,534)
Increase (decrease) in		
Accounts payable and accrued expenses	13,075	36,254
Unearned revenue	<u>(19,060)</u>	<u>92,550</u>
Net Cash Provided by Operating Activities	<u>\$ 668,149</u>	<u>\$ 198,535</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

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, 2008 and 2007, the placement rate was 85.9% and 82.9%, 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, 2008 AND 2007

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 exposes 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>2008</u>	<u>2007</u>
Disaster preparedness	\$ 49,756	\$ 60,626
Behavior program	28,822	82,665
Mobile adoptions/education	82,608	-
Various projects benefiting animals	<u>25,579</u>	<u>40,055</u>
	<u>\$ 186,765</u>	<u>\$ 183,346</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 \$150,986 are related to endowment funds.

Investments

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

	<u>2008</u>	<u>2007</u>
Cash held for investment	\$ 22,102	\$ -
Equity securities	1,793,558	2,025,301
Corporate and government bonds	<u>1,057,077</u>	<u>1,092,144</u>
	<u>\$ 2,872,737</u>	<u>\$ 3,117,445</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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Property and equipment consisted of the following at March 31,

	Estimated <u>Useful Lives</u>	<u>2008</u>	<u>2007</u>
Land		\$ 296,524	\$ 296,524
Building	5 – 35 years	1,509,897	1,411,742
Equipment	5 – 10 years	<u>812,913</u>	<u>617,871</u>
		2,619,334	2,326,137
Less accumulated depreciation		<u>(1,702,089)</u>	<u>(1,636,665)</u>
		<u>\$ 917,245</u>	<u>\$ 689,472</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, 2008 and 2007, the Society received approximately 104,770 and 80,300 volunteer hours, respectively.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2008 AND 2007

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For the years ended March 31, 2008 and 2007, in-kind goods and services of \$96,997 and \$45,246, respectively, were used for program services.

Advertising

The Society expenses the production costs of advertising as incurred. Advertising expense was \$69,441 and \$39,449 for the years ended March 31, 2008 and 2007, 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 \$11,235 as of March 31, 2008 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,	
2009	\$ 3,960
2010	3,960
2011	<u>660</u>
	8,580
Less amounts for interest	<u>(374)</u>
	8,206
Less current portion	<u>(3,699)</u>
	<u>\$ 4,507</u>

NOTE C - SUBSEQUENT EVENT

Subsequent to March 31, 2008, the stock market experienced a significant decline in value. As of January 16, 2009, the Dow Jones Industrial Average declined 31% since March 31, 2008. During the same time it is estimated that the Society's marketable securities declined 29% or approximately \$837,000. The Society will continue to monitor its investments as it has successfully done in the past, but has no immediate plans to change its investment portfolio.