

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS  
With Independent Auditor's Report

YEARS ENDED MARCH 31, 2013 AND 2012



**THE HUMANE SOCIETY**  
**FOR SEATTLE/KING COUNTY**

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

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INDEPENDENT AUDITOR'S REPORT

September 19, 2013

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

We have audited the accompanying financial statements of The Humane Society for Seattle/King County, which comprise the statements of financial position as of March 31, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to in the first paragraph of this letter present fairly, in all material respects, the financial position of The Humane Society for Seattle/King County as of March 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance 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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 1,250,451	\$ 1,071,162
Investments	4,441,700	4,125,613
Promises to give	794,122	615,285
Accounts receivable	26,029	11,553
Prepaid expenses and other assets	145,677	88,965
Inventory	169,133	152,653
	<u>6,827,112</u>	<u>6,065,231</u>
	Total Current Assets	
	6,827,112	6,065,231
Cash Equivalents, Expansion Project	1,010,567	-
Promises to Give, Expansion Project	2,382,927	-
Endowment Investments	931,699	900,017
Property and Equipment, net	659,187	670,204
	<u>\$11,811,492</u>	<u>\$ 7,635,452</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities		
Accounts payable and accrued expenses	\$ 422,067	\$ 303,214
Unearned revenue	256,010	152,568
	<u>678,077</u>	<u>455,782</u>
	Total Current Liabilities	
	678,077	455,782
Net Assets		
Unrestricted	5,754,174	5,137,502
Unrestricted - invested in property and equipment	659,187	670,204
	<u>6,413,361</u>	<u>5,807,706</u>
	Total Unrestricted Net Assets	
	6,413,361	5,807,706
Temporarily restricted	4,068,058	720,143
Permanently restricted	651,996	651,821
	<u>11,133,415</u>	<u>7,179,670</u>
	Total Net Assets	
	11,133,415	7,179,670
	<u>\$11,811,492</u>	<u>\$ 7,635,452</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF ACTIVITIES

YEARS ENDED MARCH 31, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING:</b>								
Public Support and Revenue								
Public Support								
Contributions	\$ 2,582,261	\$ 212,598	\$ 175	\$ 2,795,034	\$ 2,452,776	\$ 287,539	\$ 30,785	\$ 2,771,100
Bequests	663,095	-	-	663,095	753,397	-	-	753,397
Special events, less direct cost of benefits provided to participants of \$194,084 and \$124,638	857,790	438,898	-	1,296,688	569,425	401,255	-	970,680
In-kind donations	123,576	-	-	123,576	146,752	-	-	146,752
Total Public Support	<u>4,226,722</u>	<u>651,496</u>	<u>175</u>	<u>4,878,393</u>	<u>3,922,350</u>	<u>688,794</u>	<u>30,785</u>	<u>4,641,929</u>
Revenue								
Adoption fees	646,855			646,855	631,782			631,782
Other program service fees	453,239			453,239	386,995			386,995
Merchandise sales, net of cost of goods sold of \$57,730 and \$64,248	27,553			27,553	21,893			21,893
Total Revenue	<u>1,127,647</u>			<u>1,127,647</u>	<u>1,040,670</u>			<u>1,040,670</u>
Net Assets Released from Purpose Restrictions	<u>585,850</u>	<u>(585,850)</u>		<u>-</u>	<u>558,740</u>	<u>(558,740)</u>		<u>-</u>
Total Operating Public Support and Revenue	<u>5,940,219</u>	<u>65,646</u>	<u>175</u>	<u>6,006,040</u>	<u>5,521,760</u>	<u>130,054</u>	<u>30,785</u>	<u>5,682,599</u>
Expenses								
Program services	4,501,472			4,501,472	4,163,949			4,163,949
Management and general	446,162			446,162	383,784			383,784
Fundraising	710,075			710,075	640,081			640,081
Total Operating Expenses	<u>5,657,709</u>			<u>5,657,709</u>	<u>5,187,814</u>			<u>5,187,814</u>
Operating Change in Net Assets	<u>282,510</u>	<u>65,646</u>	<u>175</u>	<u>348,331</u>	<u>333,946</u>	<u>130,054</u>	<u>30,785</u>	<u>494,785</u>
<b>NON-OPERATING:</b>								
Investment income, gains and losses, net	323,146	69,878		393,024	105,142	18,088		123,230
Expansion project contributions	-	3,388,350		3,388,350	-	-		-
Expansion project in-kind donations	-	33,720		33,720	-	-		-
Expansion project costs	(209,680)			(209,680)	(74,019)			(74,019)
Net assets released - expansion project	209,679	(209,679)		-	-	-		-
Loss on sale of property and equipment	-			-	(1,988)			(1,988)
Non-Operating Change in Net Assets	<u>323,145</u>	<u>3,282,269</u>	<u>-</u>	<u>3,605,414</u>	<u>29,135</u>	<u>18,088</u>	<u>-</u>	<u>47,223</u>
Total Change in Net Assets	<u>605,655</u>	<u>3,347,915</u>	<u>175</u>	<u>3,953,745</u>	<u>363,081</u>	<u>148,142</u>	<u>30,785</u>	<u>542,008</u>
Net Assets - beginning of year	<u>5,807,706</u>	<u>720,143</u>	<u>651,821</u>	<u>7,179,670</u>	<u>5,444,625</u>	<u>572,001</u>	<u>621,036</u>	<u>6,637,662</u>
Net Assets - end of year	<u>\$ 6,413,361</u>	<u>\$4,068,058</u>	<u>\$ 651,996</u>	<u>\$11,133,415</u>	<u>\$ 5,807,706</u>	<u>\$ 720,143</u>	<u>\$ 651,821</u>	<u>\$ 7,179,670</u>

See notes to financial statements.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2013

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Adoption Services	Veterinarian Clinic Services	Education Programs and Other Services	Total Program Services	Management and General	Fundraising	Expansion Project	Total
Salaries	\$ 2,062,795	\$ 214,089	\$ 231,532	\$ 2,508,416	\$ 326,524	\$ 126,504	\$ 74,365	\$ 3,035,809
Payroll taxes and benefits	486,994	24,629	28,414	540,037	51,944	26,552	9,692	628,225
Total Payroll Expenses	2,549,789	238,718	259,946	3,048,453	378,468	153,056	84,057	3,664,034
Food, supplies, and medicine	437,716	145,769	136,645	720,130	2,494	5,643	189	728,456
Printing	28,719	1,664	29,422	59,805	279	215,453	3,473	279,010
Repairs and maintenance	96,164	13,151	5,024	114,339	7,696	57,650	9,494	189,179
Professional fees	47,131	1,011	1,904	50,046	31,082	807	106,612	188,547
Fundraising support	-	-	-	-	-	139,889	985	140,874
Depreciation	114,548	2,687	4,200	121,435	989	2,025	-	124,449
Marketing and promotion	67,734	3,286	1,537	72,557	959	42,934	429	116,879
Utilities	96,206	891	6,706	103,803	1,391	35	-	105,229
Postage	5,119	28	4,974	10,121	586	76,171	26	86,904
Travel and meetings	62,862	1,904	1,669	66,435	3,017	5,983	4,415	79,850
Investment and bank fees	34,621	1,322	10,217	46,160	16,113	7,103	-	69,376
Insurance	27,477	272	2,030	29,779	336	184	-	30,299
Taxes and licenses	14,328	1,053	6,042	21,423	861	2,373	-	24,657
Miscellaneous	16,858	562	2,166	19,586	1,539	700	-	21,825
Telephone	15,405	89	1,251	16,745	341	62	-	17,148
Grants to others	636	-	19	655	11	7	-	673
Total Expenses	<u>\$ 3,615,313</u>	<u>\$ 412,407</u>	<u>\$ 473,752</u>	<u>\$ 4,501,472</u>	<u>\$ 446,162</u>	<u>\$ 710,075</u>	<u>\$ 209,680</u>	<u>\$ 5,867,389</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED MARCH 31, 2012

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Adoption Services	Veterinarian Clinic Services	Education Programs and Other Services	Total Program Services	Management and General	Fundraising	Expansion Project	Total
Salaries	\$ 2,006,808	\$ 87,520	\$ 222,079	\$ 2,316,407	\$ 268,808	\$ 152,669	\$ -	\$ 2,737,884
Payroll taxes and benefits	489,720	14,552	30,866	535,138	46,975	17,368	-	599,481
Total Payroll Expenses	2,496,528	102,072	252,945	2,851,545	315,783	170,037	-	3,337,365
Food, supplies, and medicine	410,689	98,165	126,186	635,040	1,230	5,633	234	642,137
Printing	28,965	-	32,176	61,141	958	197,202	-	259,301
Repairs and maintenance	102,845	1,991	5,788	110,624	9,047	34,700	-	154,371
Professional fees	21,565	280	904	22,749	30,131	408	69,660	122,948
Fundraising support	156	-	6	162	517	100,953	-	101,632
Depreciation	144,010	1,954	14,225	160,189	1,158	5,760	-	167,107
Marketing and promotion	22,588	442	3,879	26,909	236	28,836	-	55,981
Utilities	77,659	974	21,872	100,505	1,571	1,874	-	103,950
Postage	5,766	20	8,299	14,085	674	80,031	143	94,933
Travel and meetings	43,190	1,399	748	45,337	2,406	4,931	1,664	54,338
Investment and bank fees	28,777	1,297	12,518	42,592	17,830	7,813	-	68,235
Insurance	27,582	264	1,961	29,807	317	181	-	30,305
Taxes and licenses	13,163	951	5,645	19,759	555	769	2,318	23,401
Miscellaneous	23,865	534	2,524	26,923	1,049	700	-	28,672
Telephone	14,927	89	1,566	16,582	322	253	-	17,157
Grants to others	-	-	-	-	-	-	-	-
Total Expenses	<u>\$ 3,462,275</u>	<u>\$ 210,432</u>	<u>\$ 491,242</u>	<u>\$ 4,163,949</u>	<u>\$ 383,784</u>	<u>\$ 640,081</u>	<u>\$ 74,019</u>	<u>\$ 5,261,833</u>



THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Cash Flows From Operating Activities</b>		
Cash received from donors	\$ 4,873,331	\$ 4,521,784
Cash received from adoptions	646,855	631,782
Cash received from other program service fees	438,763	404,272
Cash received from sale of merchandise	85,283	86,141
Cash received from interest	81,021	160,686
Cash paid to employees	(3,652,552)	(3,408,239)
Cash paid to vendors	<u>(2,139,245)</u>	<u>(1,838,104)</u>
Net Cash Provided by Operating Activities	<u>333,456</u>	<u>558,322</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(113,432)	(53,203)
Purchases of investments	(1,089,160)	(2,571,492)
Sales of investments	<u>1,053,394</u>	<u>1,437,708</u>
Net Cash Used by Investing Activities	<u>(149,198)</u>	<u>(1,186,987)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from contributions restricted to expansion project	1,005,423	-
Proceeds from contributions restricted to endowment	<u>175</u>	<u>30,785</u>
Net Cash Provided by Financing Activities	<u>1,005,598</u>	<u>30,785</u>
Change in Cash and Cash Equivalents	1,189,856	(597,880)
Cash and Cash Equivalents - beginning of year	<u>1,071,162</u>	<u>1,669,042</u>
Cash and Cash Equivalents - end of year	<u>\$ 2,261,018</u>	<u>\$ 1,071,162</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

STATEMENTS OF CASH FLOWS

YEARS ENDED MARCH 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<b>Reconciliation of Changes in Net Assets to Net Cash Flows From Operating Activities</b>		
Changes in net assets	\$ 3,953,745	\$ 542,008
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	124,449	167,107
Expansion project contributions	(3,388,350)	-
Endowment contributions	(175)	(30,785)
Net (gain) loss on investments	(312,003)	37,456
Loss on disposal of property and equipment	-	1,988
(Increase) decrease in		
Promises to give	(178,837)	(44,459)
Accounts receivable	(14,476)	17,277
Prepaid expenses and other assets	(56,712)	(22,772)
Inventory	(16,480)	20,434
Increase (decrease) in		
Accounts payable and accrued expenses	118,853	(107,145)
Unearned revenue	<u>103,442</u>	<u>(22,787)</u>
Net Cash Provided by Operating Activities	<u>\$ 333,456</u>	<u>\$ 558,322</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

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 bring people and pets together for lifelong relationships.

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. For the years ended March 31, 2013 and 2012, the placement rate was 97.1% and 96.5%, respectively.

**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, the Seattle Humane Society offers 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.

§ *Pet Project:* The Seattle Humane Society provides pet food, litter, grooming services, and facilitates 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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

§ *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.

§ *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

In accordance with financial accounting standards, 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 Seattle Humane Society are classified as follows:

Unrestricted net assets are available without restriction for support of the Seattle Humane 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 available as follows:

	<u>2013</u>	<u>2012</u>
Expansion project	\$ 3,217,535	\$ -
Unappropriated endowment earnings	279,703	249,687
Lexus Fund - Medical care for dogs	237,147	233,967
Public spay/neuter surgeries expansion	228,367	-
Sammie's Fund - Care for older animals	76,034	192,775
Various projects benefiting animals	17,710	29,401
Disaster preparedness	11,562	14,313
	<u>\$ 4,068,058</u>	<u>\$ 720,143</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 as specified by the donors.

Federal income taxes

The Internal Revenue Service has recognized The Humane Society for Seattle/King County 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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Non-operating activities

Seattle Humane Society's non-operating activities include investment activities, expansion project efforts, and other non-operating gains or losses. Key goals of the expansion are to increase the capacity of public low-income spay/neuter programs, enhance medical services for shelter animals, and expand community education programs.

Cash and cash equivalents

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

Fair value measurements (See Note E)

In accordance with financial accounting standards, a three-tiered hierarchy of input levels is used for measuring fair value. Financial accounting standards defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Valuation techniques utilized to determine fair value are consistently applied. The three tiers of inputs used for fair value measurements are as follows:

Level 1: Fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2: Fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets.

Level 3: Fair values are calculated by the use of pricing models and/or discounted cash flow methodologies, and may require significant management judgment or estimation. These methodologies may result in a significant portion of the fair value being derived from unobservable data.

Investments

Investments are carried at fair value and consist of the following at March 31:

	<u>2013</u>	<u>2012</u>
Cash held for investment	\$ 46,434	\$ 17,272
Equity securities	3,247,566	2,976,990
Corporate and government bonds	1,129,522	1,076,262
Annuities	18,178	55,089
	<u>\$ 4,441,700</u>	<u>\$ 4,125,613</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment investments are carried at fair value and consist of the following at March 31:

	<u>2013</u>	<u>2012</u>
Cash held for investment	\$ 3,496	\$ 4,518
Equity securities	638,353	622,150
Corporate and government bonds	<u>289,850</u>	<u>273,349</u>
	<u>\$ 931,699</u>	<u>\$ 900,017</u>

Return on investments consist of the following for the years ended March 31:

	<u>2013</u>	<u>2012</u>
Interest and dividends	\$ 81,021	\$ 160,686
Realized and unrealized gains (losses), net	<u>312,003</u>	<u>(37,456)</u>
	<u>\$ 393,024</u>	<u>\$ 123,230</u>

Promises to give

Unconditional promises to give are stated at net realizable value. In accordance with financial accounting standards, unconditional promises to give are recognized as support in the period received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Bequests receivable

The Seattle Humane Society has been named as beneficiary in certain bequests. At such time as the Seattle Humane 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 are stated at estimated net realizable value and included in promises to give.

Accounts receivable

Accounts receivable are stated at net realizable value.

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, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment consisted of the following at March 31:

	Estimated <u>Useful Lives</u>	<u>2013</u>	<u>2012</u>
Land		\$ 296,524	\$ 296,524
Building	5 – 35 years	1,680,994	1,680,994
Equipment	5 – 10 years	<u>970,040</u>	<u>856,731</u>
		2,947,558	2,834,249
Less accumulated depreciation		<u>(2,288,371)</u>	<u>(2,164,045)</u>
		<u>\$ 659,187</u>	<u>\$ 670,204</u>

Unearned revenue

Unearned revenue represents fees received in advance of events and will be recognized when the related event occurs.

In-kind donations

In accordance with financial accounting standards, the financial statements reflect only those contributed services requiring specific expertise, which the Seattle Humane Society would otherwise need to purchase. However, many individuals volunteer their time and perform a variety of tasks, such as assisting with adoptions, foster parenting, special events, and dog behavior and socialization. During the years ended March 31, 2013 and 2012, the Seattle Humane Society received 198,499 and 189,877 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. For the years ended March 31, 2013 and 2012, in-kind goods and services of \$157,296 and \$146,752, respectively, were used for program services.

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.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Advertising

The Seattle Humane Society expenses the production costs of advertising as incurred. Advertising expense was \$116,451 and \$55,981 for the years ended March 31, 2013 and 2012, respectively, and is included in marketing and promotion expense.

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.

Reclassifications

Certain accounts in the March 31, 2012 financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the net assets or change in net assets as of or for the year ended March 31, 2012.

NOTE B - PROMISES TO GIVE

Pledges and bequests receivable at June 30 are as follows:

	<u>2013</u>
Receivable in less than one year	\$ 1,432,782
Receivable in one to five years	<u>1,744,267</u>
	<u>\$ 3,177,049</u>

Pledges receivable for capital purposes are included in long-term promises to give on the statement of financial position as the assets are considered for long-term use. Discounts on long-term promises to give are considered immaterial and uncollectible promises are expected to be insignificant.

At March 31, 2013, 25% of promises to give are due from one foundation.

NOTE C - RELATED PARTIES

During the years ended March 31, 2013 and 2012, no board members directly profited from any company doing business with the Seattle Humane Society.



THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE C - RELATED PARTIES (Continued)

Several board members are employed by companies that provided goods and/or services to the Seattle Humane Society during the course of the year. Any fees charged for goods and services provided by these companies were negotiated without the involvement of the board member and the board member did not directly benefit.

NOTE D - ENDOWMENT

The Humane Society for Seattle/King County's endowment consists of four individual donor-restricted funds established for a variety of purposes. Under U.S. generally accepted accounting principles, the net assets of endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

Under the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as in effect in the State of Washington and as interpreted by the Board of Directors, the original amount of donor-restricted contributions to the endowment plus any required accumulations are not expendable.

Accordingly, the Seattle Humane 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.

In accordance with UPMIFA, the organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted 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

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$0 and \$1,491 as of March 31, 2013 and 2012, respectively. These deficiencies resulted from unfavorable market fluctuations.

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE D - ENDOWMENT (Continued)

Return Objectives and Risk Parameters

The Seattle Humane Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Seattle Humane Society expects its endowment funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

Investment earnings from the Seattle Humane Society's endowment funds are classified as temporarily restricted net assets to be used for certain purposes or time periods, as stipulated by the donors.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Seattle Humane Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Seattle Humane Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Seattle Humane Society has a policy of reviewing the needs each year and appropriating for distribution accordingly, not to exceed in any given year, the surplus accrued in the fund or 7% of the overall balance of the fund, whichever is less.

Endowment net assets by fund type as of March 31, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds				
General Endowment	\$ -	\$ 29,069	\$ 59,140	\$ 88,209
James A. Gilruth Endowment for the preservation and maintenance of dogs and cats	-	236,151	400,000	636,151
Leah Buhner Veterinary Care Endowment	-	4,548	91,896	96,444
Sammie's Fund Endowment	-	9,935	100,960	110,895
Total endowment funds	<u>\$ -</u>	<u>\$ 279,703</u>	<u>\$ 651,996</u>	<u>\$ 931,699</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE D - ENDOWMENT (Continued)

Change in endowment net assets for the year ended March 31, 2013:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowments, beginning of year	\$ (1,491)	\$ 249,687	\$ 651,821	\$ 900,017
Investment return:				
Investment income	-	19,072	-	19,072
Net gains and (losses)	1,491	45,662	-	47,153
Total investment return	1,491	64,734	-	66,225
Contributions, net			175	175
Appropriated for expenditure	-	(34,718)	-	(34,718)
Endowments, end of year	<u>\$ -</u>	<u>\$ 279,703</u>	<u>\$ 651,996</u>	<u>\$ 931,699</u>

Endowment net assets by fund type as of March 31, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Donor-restricted endowment funds				
General Endowment	\$ -	\$ 26,178	\$ 59,140	\$ 85,318
James A. Gilruth Endowment for the preservation and maintenance of dogs and cats	-	216,343	400,000	616,343
Leah Buhner Veterinary Care Endowment	(1,491)	-	91,896	90,405
Sammie's Fund Endowment	-	7,166	100,785	107,951
Total endowment funds	<u>\$ (1,491)</u>	<u>\$ 249,687</u>	<u>\$ 651,821</u>	<u>\$ 900,017</u>

Change in endowment net assets for the year ended March 31, 2012:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowments, beginning of year	\$ (2,567)	\$ 263,942	\$ 621,036	\$ 882,411
Investment return:				
Investment income	2,203	24,607	-	26,810
Net gains and (losses)	(1,083)	(6,519)	-	(7,602)
Total investment return	1,120	18,088	-	19,208
Contributions, net			30,785	30,785
Appropriated for expenditure	(44)	(32,343)	-	(32,387)
Endowments, end of year	<u>\$ (1,491)</u>	<u>\$ 249,687</u>	<u>\$ 651,821</u>	<u>\$ 900,017</u>

THE HUMANE SOCIETY FOR SEATTLE/KING COUNTY

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED MARCH 31, 2013 AND 2012

NOTE E - FAIR VALUE MEASUREMENTS

Fair value of assets measured on a recurring basis (at least annually) as of March 31, 2013 and 2012 are as follows:

	Quoted Prices (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
As of March 31, 2013				
Equity securities	\$ 3,885,919	\$ -	\$ -	\$ 3,885,919
Corporate and government bonds	<u>1,419,372</u>	<u>-</u>	<u>-</u>	<u>1,419,372</u>
	<u>\$ 5,305,291</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,305,291</u>
As of March 31, 2012				
Equity securities	\$ 3,599,140	\$ -	\$ -	\$ 3,599,140
Corporate and government bonds	<u>1,349,611</u>	<u>-</u>	<u>-</u>	<u>1,349,611</u>
	<u>\$ 4,948,751</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,948,751</u>

Assets and liabilities carried at fair value on a nonrecurring basis using level 2 inputs generally include donated goods, facilities, and services. Long-term promises to give are valued on a nonrecurring basis using the net present value of future cash flows discounted at a risk-free rate of return which is a level 3 input.

Annuities are valued on a nonrecurring basis using present value of future distributions expected to be received using discount rates between 1.3% and 2.3%, which is also a level 3 input. The Seattle Humane Society also uses fair value concepts to test various long lived assets for impairment.

NOTE F - SUBSEQUENT EVENTS

Management has evaluated events occurring subsequent to March 31, 2013 through September 19, 2013, which is the date the financial statements were available to be issued and has recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at March 31, 2013, including the estimates inherent in the processing of financial statements.