

**NASHVILLE HUMANE ASSOCIATION  
AND SUPPORTING FOUNDATION**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**April 30, 2009 and 2008**

**NASHVILLE HUMANE ASSOCIATION  
AND SUPPORTING FOUNDATION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Nashville Humane Association and Supporting Foundation  
Nashville, Tennessee

We have audited the accompanying consolidated statements of financial position of Nashville Humane Association and Supporting Foundation (a nonprofit Association) as of April 30, 2009 and 2008 and the related consolidated statements of activities, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these consolidated 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 consolidated 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 our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Nashville Humane Association and Supporting Foundation as of April 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note 11 to the consolidated financial statements, the Association restated certain 2008 unrestricted net assets to unrestricted designated net assets in order to more appropriately reflect the endowment nature of such net assets. The restatement had no effect on total net assets or changes in net assets for 2008 or 2009.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information on pages 19 – 24 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

*Frasier, Dean & Howard, PLLC*

September 10, 2009

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**April 30, 2009 and 2008**

	<b>2009</b>	<b>2008</b> <b>(as restated)</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,561,383	\$ 1,881,301
Prepaid expenses	<u>4,094</u>	<u>4,094</u>
Total current assets	2,565,477	1,885,395
Beneficial interest in trusts	725,235	1,028,512
Investments	7,109,565	8,906,513
Land, building and equipment, net	2,835,187	2,999,348
Deposit	<u>1,000</u>	<u>1,000</u>
Total assets	<u><u>\$ 13,236,464</u></u>	<u><u>\$ 14,820,768</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable	<u>\$ 10,572</u>	<u>\$ 10,284</u>
Total current liabilities	<u>10,572</u>	<u>10,284</u>
Net assets:		
Unrestricted		
Undesignated	4,220,738	4,265,335
Designated	<u>5,945,676</u>	<u>7,177,626</u>
Total unrestricted	10,166,414	11,442,961
Temporarily restricted	575,439	831,758
Permanently restricted	<u>2,484,039</u>	<u>2,535,765</u>
Total net assets	<u>13,225,892</u>	<u>14,810,484</u>
Total liabilities and net assets	<u><u>\$ 13,236,464</u></u>	<u><u>\$ 14,820,768</u></u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended April 30, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public support and revenue:				
Public support:				
Donations	\$ 881,310	\$ 13,482	\$ -	\$ 894,792
Auxiliary fundraisers	333,212	-	-	333,212
In-kind donations	177,953	-	-	177,953
Net assets released from restriction	18,249	(18,249)	-	-
Total public support	<u>1,410,724</u>	<u>(4,767)</u>	<u>-</u>	<u>1,405,957</u>
Revenue:				
Adoptions	167,448	-	-	167,448
Other program services	147,541	-	-	147,541
Grants	223,815	-	-	223,815
Investment income	(1,211,689)	-	-	(1,211,689)
Change in value of beneficial interest in trusts	<u>-</u>	<u>(251,552)</u>	<u>(51,726)</u>	<u>(303,278)</u>
Total revenue	<u>(672,885)</u>	<u>(251,552)</u>	<u>(51,726)</u>	<u>(976,163)</u>
Total public support and revenue	<u>737,839</u>	<u>(256,319)</u>	<u>(51,726)</u>	<u>429,794</u>
Expenses:				
Program services:				
Shelter operations	1,074,029	-	-	1,074,029
Rover	299,500	-	-	299,500
CSNP	142,628	-	-	142,628
Total program services	<u>1,516,157</u>	<u>-</u>	<u>-</u>	<u>1,516,157</u>
Supporting services:				
Management and general	219,256	-	-	219,256
Fundraising	278,973	-	-	278,973
Total supporting services	<u>498,229</u>	<u>-</u>	<u>-</u>	<u>498,229</u>
Total expenses	<u>2,014,386</u>	<u>-</u>	<u>-</u>	<u>2,014,386</u>
Change in net assets	(1,276,547)	(256,319)	(51,726)	(1,584,592)
Net assets at beginning of year	<u>11,442,961</u>	<u>831,758</u>	<u>2,535,765</u>	<u>14,810,484</u>
Net assets at end of year	<u>\$10,166,414</u>	<u>\$ 575,439</u>	<u>\$2,484,039</u>	<u>\$13,225,892</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**Year Ended April 30, 2008**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Public support and revenue:				
Public support:				
Donations	\$ 1,520,131	\$ 26,131	\$ -	\$ 1,546,262
Auxiliary fundraisers	334,679	-	-	334,679
In-kind donations	134,295	-	-	134,295
Net assets released from restriction	30,700	(30,700)	-	-
Total public support	2,019,805	(4,569)	-	2,015,236
Revenue:				
Adoptions	187,803	-	-	187,803
Other program services	93,263	-	-	93,263
Grants	125,750	-	-	125,750
Investment income	218,957	-	-	218,957
Change in value of beneficial interest in trusts	-	(7,249)	-	(7,249)
Total revenue	625,773	(7,249)	-	618,524
Total public support and revenue	2,645,578	(11,818)	-	2,633,760
Expenses:				
Program services:				
Shelter operations	1,129,954	-	-	1,129,954
Rover	269,195	-	-	269,195
CSNP	110,064	-	-	110,064
Total program services	1,509,213	-	-	1,509,213
Supporting services:				
Management and general	170,262	-	-	170,262
Fundraising	251,355	-	-	251,355
Total supporting services	421,617	-	-	421,617
Total expenses	1,930,830	-	-	1,930,830
Change in net assets	714,748	(11,818)	-	702,930
Net assets at beginning of year	10,728,213	843,576	2,535,765	14,107,554
Net assets at end of year	<u>\$ 11,442,961</u>	<u>\$ 831,758</u>	<u>\$ 2,535,765</u>	<u>\$ 14,810,484</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended April 30, 2009**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Shelter Operations</b>	<b>Rover</b>	<b>CSNP</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries	\$ 352,537	\$ 91,522	\$ 37,887	\$ 481,946	\$ 55,616	\$ 85,546	\$ 141,162	\$ 623,108
Depreciation	121,809	35,307	8,827	165,943	3,531	7,061	10,592	176,535
Fundraising events	-	-	-	-	-	158,419	158,419	158,419
Vet supplies	66,384	40,537	43,030	149,951	-	-	-	149,951
Vet fees	45,898	66,794	35,117	147,809	-	-	-	147,809
Payroll taxes and employee benefits	76,941	19,974	8,269	105,184	12,138	18,670	30,808	135,992
In-kind	134,663	-	-	134,663	-	-	-	134,663
Telephone and utilities	65,990	18,757	5,150	89,897	3,208	5,801	9,009	98,906
Legal and professional	-	-	-	-	89,530	-	89,530	89,530
Repairs and maintenance	57,380	1,076	-	58,456	-	-	-	58,456
Shelter supplies	33,905	8,821	4,348	47,074	-	-	-	47,074
Advocacy and continuing education	46,908	-	-	46,908	-	-	-	46,908
Insurance	36,074	-	-	36,074	3,913	3,476	7,389	43,463
Office expense	-	1,116	-	1,116	24,329	-	24,329	25,445
Bank charges and investment fees	-	-	-	-	18,870	-	18,870	18,870
Auto and truck expenses	5,263	13,932	-	19,195	-	-	-	19,195
Miscellaneous	11,789	756	-	12,545	1,461	-	1,461	14,006
Cremation services	11,113	-	-	11,113	-	-	-	11,113
Technology	-	-	-	-	5,758	-	5,758	5,758
Equipment rental	5,440	-	-	5,440	-	-	-	5,440
Laundry and uniforms	1,935	423	-	2,358	-	-	-	2,358
Taxes and licenses	-	485	-	485	902	-	902	1,387
	<u>\$1,074,029</u>	<u>\$ 299,500</u>	<u>\$ 142,628</u>	<u>\$1,516,157</u>	<u>\$ 219,256</u>	<u>\$ 278,973</u>	<u>\$ 498,229</u>	<u>\$2,014,386</u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended April 30, 2008**

	<b>Program Services</b>				<b>Supporting Services</b>			<b>Total Expenses</b>
	<b>Shelter Operations</b>	<b>Rover</b>	<b>CSNP</b>	<b>Total</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>	
Salaries	\$ 367,016	\$ 85,637	\$ 18,351	\$ 471,004	\$ 55,052	\$ 85,637	\$ 140,689	\$ 611,693
Depreciation	141,164	40,917	10,229	192,310	4,092	8,183	12,275	204,585
Payroll taxes and employee benefits	85,779	20,015	4,289	110,083	12,867	20,015	32,882	142,965
Fundraising events	-	4,902	-	4,902	-	130,471	130,471	135,373
In-kind	134,295	-	-	134,295	-	-	-	134,295
Vet fees	66,816	28,063	38,754	133,633	-	-	-	133,633
Vet supplies	35,350	52,415	34,131	121,896	-	-	-	121,896
Telephone and utilities	59,473	17,238	4,310	81,021	1,724	3,448	5,172	86,193
Repairs and maintenance	67,591	97	-	67,688	-	-	-	67,688
Advocacy and continuing education	64,973	-	-	64,973	-	-	-	64,973
Shelter supplies	37,698	9,165	-	46,863	-	-	-	46,863
Insurance	37,368	-	-	37,368	4,053	3,601	7,654	45,022
Legal and professional	-	-	-	-	41,508	-	41,508	41,508
Office expense	-	1,077	-	1,077	28,804	-	28,804	29,881
Miscellaneous	10,183	132	-	10,315	6,447	-	6,447	16,762
Bank charges and investment fees	-	-	-	-	13,557	-	13,557	13,557
Cremation services	13,445	-	-	13,445	-	-	-	13,445
Auto and truck expenses	1,600	9,422	-	11,022	-	-	-	11,022
Equipment rental	5,524	-	-	5,524	-	-	-	5,524
Taxes and licenses	-	115	-	115	2,158	-	2,158	2,273
Laundry and uniforms	1,679	-	-	1,679	-	-	-	1,679
	<u>\$1,129,954</u>	<u>\$ 269,195</u>	<u>\$ 110,064</u>	<u>\$1,509,213</u>	<u>\$ 170,262</u>	<u>\$ 251,355</u>	<u>\$ 421,617</u>	<u>\$1,930,830</u>

See accompanying notes to financial statements.



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Years Ended April 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,584,592)	\$ 702,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	176,535	204,585
Unrealized loss on investments	1,491,232	126,343
Change in operating assets and liabilities		
Contributions receivable	-	4,700
Beneficial interest in trusts	303,277	7,249
Accounts payable	<u>288</u>	<u>(3,229)</u>
Net cash provided by operating activities	<u>386,740</u>	<u>1,042,578</u>
Cash flows from investing activities:		
Purchase of land, building and equipment	(12,374)	(123,447)
Purchase of investments	(89,284)	(4,940,633)
Proceeds from sale of investments	<u>395,000</u>	<u>4,614,833</u>
Net cash provided by (used in) investing activities	<u>293,342</u>	<u>(449,247)</u>
Increase in cash	680,082	593,331
Cash and cash equivalents at beginning of year	<u>1,881,301</u>	<u>1,287,970</u>
Cash and cash equivalents at end of year	<u><u>\$ 2,561,383</u></u>	<u><u>\$ 1,881,301</u></u>

See accompanying notes to financial statements.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**April 30, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

Nashville Humane Association is a nonprofit organization formed in 1946 to provide food, shelter, and medical treatment of lost, abandoned, and injured animals and to prevent cruelty to animals.

Nashville Humane Association Supporting Foundation is an affiliated nonprofit organization formed in 2004 to raise, manage, and distribute funds exclusively for the benefit of the Nashville Humane Association.

**Principles of Consolidation**

The consolidated statements include the accounts and activities of Nashville Humane Association and Nashville Humane Association Supporting Foundation referred herein as the “Association”. All significant intercompany accounts and transactions have been eliminated.

**Basis of Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Association and changes therein are classified and reported as follows:

**Unrestricted net assets**

Undesignated – Net assets that are not subject to donor-imposed stipulations.

Designated – Net assets currently designated by the Board of Directors for endowment.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or the passage of time. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted.

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

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Association considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

**Investments**

In accordance with Statement of Financial Accounting Standards (“SFAS”) No. 124, *Accounting for Certain Investments Held by Not-for-Profit Associations*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

**Land, Building and Equipment**

Land, building and equipment are recorded at cost or, if donated, at the estimated fair market value as of the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets. It is the Association’s policy to capitalize any expenditures over \$500 for property and equipment. Expenditures for repairs and maintenance are charged to expense as incurred.

**Income Taxes**

The Association is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and the Association is classified as an organization that is not a private foundation as defined in Section 509(a) of the Internal Revenue Code. Therefore, no provision for federal income taxes is included in the accompanying financial statements.

**Functional Allocation of Expenses**

The costs of providing program services and supporting services 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.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**In-kind Donations**

In-kind donations are recognized at the fair value of items received at the time of donation. Volunteer time is recognized to the extent such time is provided by individuals with specialized training and which would normally need to be purchased. The Association also receives volunteer services from a number of individuals in carrying out its programs but not meeting the criteria for recognition in the financial statements.

**Concentration of Credit Risk**

At various times through the year, the Association had cash and investment balances with banks and other financial institutions exceeding \$250,000 which is the maximum insured by the Federal Deposit Insurance Corporation. Credit risk is managed by maintaining all deposits in high quality financial institutions.

**Split Interest Agreements**

Accounting standards require that the following instruments be recorded as a contribution and an asset at the present value of the Association's ultimate interest.

*Charitable Remainder Trusts*

A donor has established and funded trusts under which specified distributions are to be made to a designated beneficiary over the trusts' term. Upon termination of the trusts, the Association receives a portion of the assets remaining in the trusts.

*Charitable Lead Trust*

A donor has established and funded a trust designating the Association as a beneficiary of specific distributions to be made over a specified period. Upon termination of the trust, the remainder of the trust assets is to be paid to a beneficiary designated by the donor.

*Perpetual Trust Held by a Third Party*

Donors have established and funded trusts naming outside fiscal agents to invest and manage the trust assets in perpetuity. The Association, each year, will receive a pro-rata share of income from the trust assets in perpetuity.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fair Values**

The Association has an established process for determining fair values. Fair value is based upon quoted market prices, where available. If listed prices or quotes are not available, fair value is based upon internally developed models or processes that use primarily market-based or independently-sourced market data, including interest rate yield curves, option volatilities and third party information. Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies, or assumptions, to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date. Generally accepted accounting principles have a three-level valuation hierarchy for fair value measurements. A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The three levels are explained as follows:

*Level 1* – inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* – inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

*Level 3* – inputs to the valuation methodology are unobservable and significant to the fair value measurement.

**Endowment Funds**

During 2008, the Staff of the Financial Accounting Standards Board ("FASB") issued Proposed FASB Staff Position No. FAS 117-1, *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* ("FSP 117-1"). FSP 117-1 clarifies that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not permanently restricted by the donor or by law as temporarily restricted net assets (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, temporarily restricted net assets are reclassified to unrestricted net assets. FSP 117-1 also required additional disclosures applicable to all nonprofit organizations, even if the organization is not yet subject to a version of Uniform Prudent Management Institutional Funds Act ("UPMIFA"). Those disclosures provide: a) a description of the organization's policies for making appropriations for expenditures from endowment funds (i.e. the organization's endowment spending policies), b) a description of the organization's investment

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Endowment Funds (Continued)**

policies for endowment funds, c) a description of the organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of the organization's interpretation of the law(s) underlying the net asset classification of donor-restricted endowment funds. The Association has implemented this pronouncement and is now providing the expanded disclosures as of April 30, 2009.

**NOTE 2 – INVESTMENTS**

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at April 30:

	<u>2009</u>	<u>2008</u>
Fixed income securities	\$ 4,195,950	\$ 4,406,064
Common stocks	<u>2,913,615</u>	<u>4,500,449</u>
	<u>\$ 7,109,565</u>	<u>\$ 8,906,513</u>

The following schedule summarizes the investment return for the years ended April 30:

	<u>2009</u>	<u>2008</u>
Interest and dividends	\$ 279,543	\$ 345,300
Unrealized (losses) gains, net	<u>(1,491,232)</u>	<u>(126,343)</u>
	<u>\$ (1,211,689)</u>	<u>\$ 218,957</u>

**NOTE 3 – BENEFICIAL INTEREST IN TRUSTS**

The Association has been named as one of three beneficiaries of charitable remainder trusts, held and administrated by a third party, upon termination of the trusts. Based upon earnings at an estimated rate of 8% over the life of the trust, 6% annual distribution to an unrelated specified beneficiary over their lifetime, and a 3.16% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$511,000 and \$752,000 as of April 30, 2009 and 2008, respectively.

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 3 – BENEFICIAL INTEREST IN TRUSTS (Continued)**

A donor has established a trust held by a third party naming the Association as a beneficiary of a charitable lead trust. Under terms of the split-interest agreement, the Association is to receive 20% of 5% of the trust assets annually for its unrestricted use for a period of fifteen years. Upon termination of the trust, the remaining trust assets are to be distributed to others. Based upon earnings at an estimated rate of 8% over the life of the trust and a 3.16% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$25,000 and \$42,000 at April 30, 2009 and 2008, respectively.

The Association is one of five beneficiaries of a perpetual trust. The assets of the trust, totaling approximately \$970,000 and \$1,300,000 at April 30, 2009 and 2008, respectively, are held and administered by an outside fiscal agent. The Association is the beneficiary of an additional perpetual trust. The assets of the trust, totaling approximately \$92,000 and \$104,000 at April 30, 2009 and 2008, respectively, are also held and administered by an outside fiscal agent. The Association has recorded an asset, which is considered permanently restricted, of approximately \$189,000 and \$234,000 at April 30, 2009 and 2008, respectively, representing its beneficial interest in the trusts based on the present value of amounts to be received. The Association received annual income available to the Association from these trusts of approximately \$19,000 and \$9,000 for the years ended April 30, 2009 and 2008, respectively. Such amounts are included in unrestricted contributions in the accompanying statement of activities.

**NOTE 4 – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment at April 30, consists of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 426,395	\$ 426,395
Building	2,663,373	2,663,373
Furniture and fixtures	59,843	57,662
Equipment	509,620	508,599
Works of art	16,625	16,625
Vehicles	<u>274,240</u>	<u>265,069</u>
	3,950,096	3,937,723
Less: accumulated depreciation	<u>(1,114,909)</u>	<u>(938,375)</u>
	<u>\$ 2,835,187</u>	<u>\$ 2,999,348</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 5 – NET ASSETS**

Temporarily restricted net assets consist of the following at April 30:

	<u>2009</u>	<u>2008</u>
Disaster Relief	\$ 9,060	\$ 5,126
Teddy Wagon	30,184	38,886
Beneficial interest in trusts	<u>536,195</u>	<u>787,746</u>
	<u>\$ 575,439</u>	<u>\$ 831,758</u>

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support the operations of the Association. Permanently restricted net assets totaled \$2,484,039 and \$2,535,765 at April 30, 2009 and 2008, respectively.

Contributions made by the Association to the Supporting Foundation are accounted for as transfers of net assets. Transfers of net assets totaled \$0 and \$500,000 for the years ended April 30, 2009 and 2008, respectively.

**NOTE 6 – IN-KIND DONATIONS**

The Association receives a significant amount of donated services and items from unpaid volunteers who assist in fundraising, animal care, and special projects. The amount recognized in the accompanying financial statements for fiscal year 2009 and 2008 totaled \$177,953 and \$134,295, respectively.

**NOTE 7 – EMPLOYEE BENEFIT PLAN**

The Association established a Simple IRA Retirement Plan during the year ended April 30, 2005. Under the terms of the plan, the Association will provide a matching contribution up to a maximum of 3% of each eligible employee's annual compensation. Employees are eligible to participate in the plan once compensation exceeds \$1,000 or upon completion of one year of service. Employer contributions totaled \$10,207 and \$11,498 for the years ended April 30, 2009 and 2008, respectively.

**NOTE 8 – COMMUNITY FOUNDATION OF MIDDLE TENNESSEE INVESTMENTS**

The Community Foundation of Middle Tennessee, a separate nonprofit organization, maintains investments on behalf of the Association. The Community Foundation has ultimate authority and control over the investments; accordingly, the net assets of the Association do not include these investments.

The Association does anticipate receiving periodic investment earnings on its pro-rata share of the Community Foundation's assets. The balance of the endowment fund held for the benefit of the Association totaled approximately \$1.70 million and \$2.70 million at April 30, 2009 and 2008, respectively.



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 9 – CONCENTRATIONS**

The Association received \$301,000, or approximately 20% of support and revenue, from one major donor for the year ended April 30, 2009.

The Association received \$700,000, or approximately 27% of support and revenue, from one major donor for the year ended April 30, 2008.

**NOTE 10 – ENDOWMENT**

The Association's endowment was established to further its programs. The endowment includes both donor-restricted endowment 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 as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The UPMIFA was enacted in Tennessee effective July 1, 2007. The Association has interpreted the UPMIFA as requiring that the Association classify as permanently restricted net assets a) the original value of donor-restricted gifts to the permanent endowment, b) the original value of subsequent donor-restricted gifts to the permanent endowment, and c) accumulations (interest, dividends, capital gain/loss) to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are approved for expenditure by the Association in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Association considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Association and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Association
- The investment policies of the Association

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 10 – ENDOWMENT (Continued)**

Endowment net asset composition by type of fund is as of April 30, 2009:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,295,000	\$ 2,295,000
Board-designated endowment funds	<u>5,945,676</u>	<u>-</u>	<u>5,945,676</u>
Total funds	<u>\$ 5,945,676</u>	<u>\$ 2,295,000</u>	<u>\$ 8,240,676</u>

Changes in endowment net assets for the year ended April 30, 2009:

Endowment net assets, beginning of year	\$ 7,177,626	\$ 2,295,000	\$ 9,472,626
Investment return	(1,229,850)	-	(1,229,850)
Contributions	-	-	-
Expenditures	<u>(2,100)</u>	<u>-</u>	<u>(2,100)</u>
Endowment net assets, end of year	<u>\$ 5,945,676</u>	<u>\$ 2,295,000</u>	<u>\$ 8,240,676</u>

Endowment net asset composition by type of fund is as of April 30, 2008:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 2,295,000	\$ 2,295,000
Board-designated endowment funds	<u>7,177,626</u>	<u>-</u>	<u>7,177,626</u>
Total funds	<u>\$ 7,177,626</u>	<u>\$ 2,295,000</u>	<u>\$ 9,472,626</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**April 30, 2009 and 2008**

**NOTE 10 – ENDOWMENT (Continued)**

Changes in endowment net assets for the year ended April 30, 2008:

Endowment net assets, beginning of year	\$ 6,500,345	\$ 2,295,000	\$ 8,795,345
Investment return	180,201	-	180,201
Contributions	-	-	-
Transfers	500,000	-	500,000
Expenditures	<u>(2,900)</u>	<u>-</u>	<u>(2,900)</u>
Endowment net assets, end of year	<u>\$ 7,177,646</u>	<u>\$ 2,295,000</u>	<u>\$ 9,472,646</u>

The Association 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. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide a real total return, net of investment management fees, that is consistent with spending policy requirements. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Association's investment policy is to generally maintain 0%-20% in cash and cash equivalents, 25%-100% in fixed income securities, and 0%-75% in domestic equities.

The Association may authorize a distribution of up to 5% of the corpus calculated on a rolling three-year average market value.

**NOTE 11 – RESTATEMENT**

In order to more properly reflect the endowment nature of certain net assets, the Association restated 2008 unrestricted net assets of \$7,177,626 as unrestricted but designated (for endowment). The restatement had no effect on total net assets or changes in net assets for 2008 or 2009.

**NOTE 12 – SUBSEQUENT EVENT**

Subsequent to April 30, 2009, the Association changed its fiscal year end to December 31.

## **ADDITIONAL INFORMATION**

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**April 30, 2009**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
Current assets:			
Cash and cash equivalents	\$ 1,430,272	\$ 1,131,111	\$ 2,561,383
Prepaid expenses	4,094	-	4,094
Total current assets	1,434,366	1,131,111	2,565,477
Beneficial interest in trusts	725,235	-	725,235
Investments	-	7,109,565	7,109,565
Land, building and equipment, net	2,835,187	-	2,835,187
Deposit	1,000	-	1,000
Total assets	<u>\$ 4,995,788</u>	<u>\$ 8,240,676</u>	<u>\$ 13,236,464</u>
Current liabilities:			
Accounts payable	<u>\$ 10,572</u>	<u>\$ -</u>	<u>\$ 10,572</u>
Total current liabilities	<u>10,572</u>	<u>-</u>	<u>10,572</u>
Net assets:			
Unrestricted			
Undesignated	4,220,738	-	4,220,738
Designated	-	5,945,676	5,945,676
Total unrestricted	4,220,738	5,945,676	10,166,414
Temporarily restricted	575,439	-	575,439
Permanently restricted	189,039	2,295,000	2,484,039
Total net assets	<u>4,985,216</u>	<u>8,240,676</u>	<u>13,225,892</u>
Total liabilities and net assets	<u>\$ 4,995,788</u>	<u>\$ 8,240,676</u>	<u>\$ 13,236,464</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**April 30, 2008**

	<b>Nashville Humane Association (as restated)</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated (as restated)</b>
Current assets:			
Cash and cash equivalents	\$ 1,315,188	\$ 566,113	\$ 1,881,301
Prepaid expenses	<u>4,094</u>	<u>-</u>	<u>4,094</u>
Total current assets	1,319,282	566,113	1,885,395
Beneficial interest in trusts	1,028,512	-	1,028,512
Investments	-	8,906,513	8,906,513
Land, building and equipment, net	2,999,348	-	2,999,348
Deposit	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total assets	<u>\$ 5,348,142</u>	<u>\$ 9,472,626</u>	<u>\$ 14,820,768</u>
Current liabilities:			
Accounts payable	<u>\$ 10,284</u>	<u>\$ -</u>	<u>\$ 10,284</u>
Total current liabilities	<u>10,284</u>	<u>-</u>	<u>10,284</u>
Net assets:			
Unrestricted			
Undesignated	4,265,335	-	4,265,335
Designated	<u>-</u>	<u>7,177,626</u>	<u>7,177,626</u>
Total unrestricted	4,265,335	7,177,626	11,442,961
Temporarily restricted	831,758	-	831,758
Permanently restricted	<u>240,765</u>	<u>2,295,000</u>	<u>2,535,765</u>
Total net assets	<u>5,337,858</u>	<u>9,472,626</u>	<u>14,810,484</u>
Total current liabilities and net assets	<u>\$ 5,348,142</u>	<u>\$ 9,472,626</u>	<u>\$ 14,820,768</u>

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended April 30, 2009**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Unrestricted</u></b>			
Public support and revenue:			
Public support:			
Donations	\$ 881,310	\$ -	\$ 881,310
Auxiliary fundraisers	333,212	-	333,212
In-kind donations	177,953	-	177,953
Net assets released from restriction	18,249	-	18,249
Total public support	1,410,724	-	1,410,724
Revenue:			
Adoptions	167,448	-	167,448
Other program services	147,541	-	147,541
Grants	223,815	-	223,815
Investment income	18,161	(1,229,850)	(1,211,689)
Total revenue	556,965	(1,229,850)	(672,885)
Total public support and revenue	1,967,689	(1,229,850)	737,839
Expenses:			
Program services:			
Shelter operations	1,074,029	-	1,074,029
Rover	299,500	-	299,500
CSNP	142,628	-	142,628
Total program services	1,516,157	-	1,516,157
Supporting services:			
Management and general	217,156	2,100	219,256
Fundraising	278,973	-	278,973
Total supporting services	496,129	2,100	498,229
Total expenses	2,012,286	2,100	2,014,386
Change in unrestricted net assets	(44,597)	(1,231,950)	(1,276,547)
Unrestricted net assets at beginning of year	4,265,335	7,177,626	11,442,961
Unrestricted net assets at end of year	\$ 4,220,738	\$ 5,945,676	\$10,166,414

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)**  
**Year Ended April 30, 2009**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Temporarily restricted</u></b>			
Public support:			
Donations	\$ 13,482	\$ -	\$ 13,482
Total public support	13,482	-	13,482
Revenue:			
Change in value of beneficial interest in trusts	(251,552)	-	(251,552)
Total revenue	(251,552)	-	(251,552)
Net assets released from restriction	(18,249)	-	(18,249)
Change in temporarily restricted net assets	(256,319)	-	(256,319)
Temporarily restricted net assets at beginning of year	831,758	-	831,758
Temporarily restricted net assets at end of year	<u>\$ 575,439</u>	<u>\$ -</u>	<u>\$ 575,439</u>
<b><u>Permanently restricted</u></b>			
Permanently restricted net assets at beginning of year	\$ 240,765	\$ 2,295,000	\$ 2,535,765
Change in value of beneficial interest in trusts	(51,726)	-	(51,726)
Permanently restricted net assets at end of year	<u>\$ 189,039</u>	<u>\$ 2,295,000</u>	<u>\$ 2,484,039</u>



**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**Year Ended April 30, 2008**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Unrestricted</u></b>			
Public support and revenue:			
Public support:			
Donations	\$ 1,520,131	\$ -	\$ 1,520,131
Auxiliary fundraisers	334,679	-	334,679
In-kind donations	134,295	-	134,295
Net assets released from restriction	30,700	-	30,700
Total public support	2,019,805	-	2,019,805
Revenue:			
Adoptions	187,803	-	187,803
Other program services	93,263	-	93,263
Grants	125,750	-	125,750
Investment income	38,756	180,201	218,957
Total revenue	445,572	180,201	625,773
Total public support and revenue	2,465,377	180,201	2,645,578
Expenses:			
Program services:			
Shelter operations	1,129,954	-	1,129,954
Rover	269,195	-	269,195
CSNP	110,064	-	110,064
Total program services	1,509,213	-	1,509,213
Supporting services:			
Management and general	167,342	2,920	170,262
Fundraising	251,355	-	251,355
Total supporting services	418,697	2,920	421,617
Total expenses	1,927,910	2,920	1,930,830
Change in unrestricted net assets	537,467	177,281	714,748
Unrestricted net assets at beginning of year	4,227,868	6,500,345	10,728,213
Transfer of net assets	(500,000)	500,000	-
Unrestricted net assets at end of year	\$ 4,265,335	\$ 7,177,626	\$ 11,442,961

**NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION**  
**CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)**  
**Year Ended April 30, 2008**

	<b>Nashville Humane Association</b>	<b>Nashville Humane Association Supporting Foundation</b>	<b>Consolidated</b>
<b><u>Temporarily restricted</u></b>			
Public support:			
Donations	\$ 26,131	\$ -	\$ 26,131
Total public support	<u>26,131</u>	<u>-</u>	<u>26,131</u>
Revenue:			
Change in value of beneficial interest in trusts	(7,249)	-	(7,249)
Total revenue	<u>(7,249)</u>	<u>-</u>	<u>(7,249)</u>
Net assets released from restriction	(30,700)	-	(30,700)
Change in temporarily restricted net assets	(11,818)	-	(11,818)
Temporarily restricted net assets at beginning of year	843,576	-	843,576
Temporarily restricted net assets at end of year	<u><u>\$ 831,758</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 831,758</u></u>
<b><u>Permanently restricted</u></b>			
Permanently restricted net assets at beginning of year	\$ 240,765	\$ 2,295,000	\$ 2,535,765
Contributions	-	-	-
Permanently restricted net assets at end of year	<u><u>\$ 240,765</u></u>	<u><u>\$ 2,295,000</u></u>	<u><u>\$ 2,535,765</u></u>