

Franklin County Humane Society

Winchester, Tennessee

Audited Financial Statements

December 31, 2010

**Franklin County Humane Society
Winchester, Tennessee
Financial Statements
December 31, 2010**

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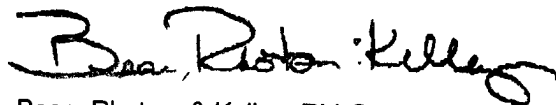
To the Board of Directors
Franklin County Humane Society
Winchester, Tennessee

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Franklin County Humane Society (a nonprofit organization) as of December 31, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Franklin County Humane Society as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Bean, Rhoton, & Kelley, PLLC

Winchester, Tennessee

April 1, 2011

FRANKLIN COUNTY HUMANE SOCIETY
 WINCHESTER, TENNESSEE
 STATEMENT OF FINANCIAL POSITION
 DECEMBER 31, 2010

ASSETS

Current assets:

Cash and cash equivalents		\$	109,569.76
Investments			7,349.81
Unconditional promises to give			1,365.10
Prepaid assets			1,504.72
Total current assets			<u>119,789.39</u>

Non-current assets:

Capital assets

Land	\$	32,246.92	
Buildings		51,586.40	
Furniture, fixtures and equipment		46,250.58	
Vehicles		6,000.00	\$ 136,083.90
Less accumulated depreciation			<u>(39,202.00)</u>
			<u>96,881.90</u>

Total assets

\$ 216,671.29

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$	6,438.09
Accrued salaries and leave		626.95
Payroll taxes payable		2,376.87
Total current liabilities		<u>9,441.91</u>

Net assets:

Unrestricted	\$	145,094.98
Temporarily restricted - education and character building program		4,503.00
Temporarily restricted - low-income spay program		2,000.00
Temporarily restricted - new shelter		55,000.00
Temporarily restricted - tail waggin' program		631.40
		<u>207,229.38</u>

Total liabilities and net assets

\$ 216,671.29

See accompanying notes to financial statements.

FRANKLIN COUNTY HUMANE SOCIETY
 WINCHESTER, TENNESSEE
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2010

	General & Administrative	Land Buildings & Equipment	Total Unrestricted Net Assets
Revenues and support:			
Adoption fee income, net of discounts	\$ 31,103.20	\$ 0.00	\$ 31,103.20
State of Tennessee funding	0.00	0.00	0.00
Private foundation funding	0.00	0.00	0.00
Donations	106,792.10	6,688.73	113,480.83
Membership dues	494.00	0.00	494.00
Interest and dividends	405.77	0.00	405.77
Fundraising	14,883.76	0.00	14,883.76
Unrealized loss on investments	78.28	0.00	78.28
Miscellaneous income	2,032.45	0.00	2,032.45
	<u> </u>	<u> </u>	<u> </u>
Total revenues	\$ 155,789.56	\$ 6,688.73	\$ 162,478.29
	<u> </u>	<u> </u>	<u> </u>
Net assets released from restrictions	16,230.58	0.00	16,230.58
	<u> </u>	<u> </u>	<u> </u>
Expenses:			
Shelter program	\$ 171,194.70	\$ 0.00	\$ 171,194.70
Depreciation	0.00	8,581.00	8,581.00
	<u> </u>	<u> </u>	<u> </u>
Total expenses	\$ 171,194.70	\$ 8,581.00	\$ 179,775.70
	<u> </u>	<u> </u>	<u> </u>
Increase in net assets	\$ 825.44	\$ (1,892.27)	\$ (1,066.83)
	<u> </u>	<u> </u>	<u> </u>
Beginning net assets	47,387.64	98,774.17	146,161.81
	<u> </u>	<u> </u>	<u> </u>
Ending net assets	\$ 48,213.08	\$ 96,881.90	\$ 145,094.98
	<u> </u>	<u> </u>	<u> </u>

(Continued)

Temporarily Restricted Net Assets	Total Net Assets
\$ 0.00	\$ 31,103.20
4,200.00	4,200.00
6,550.00	6,550.00
55,000.00	168,480.83
0.00	494.00
0.00	405.77
0.00	14,883.76
0.00	78.28
0.00	2,032.45
<u>\$ 65,750.00</u>	<u>\$ 228,228.29</u>
<u>(16,230.58)</u>	<u>0.00</u>
\$ 0.00	\$ 171,194.70
<u>0.00</u>	<u>8,581.00</u>
<u>\$ 0.00</u>	<u>\$ 179,775.70</u>
\$ 49,519.42	\$ 48,452.59
<u>12,614.98</u>	<u>158,776.79</u>
<u>\$ 62,134.40</u>	<u>\$ 207,229.38</u>

See accompanying notes to financial statements.

FRANKLIN COUNTY HUMANE SOCIETY
 WINCHESTER, TENNESSEE
 STATEMENT OF FUNCTIONAL EXPENSES
 YEAR ENDED DECEMBER 31, 2010

	General & Administrative	Land, Buildings & Equipment	Total Expenses
Salaries	\$ 79,657.07	\$ 0.00	\$ 79,657.07
Fringe benefits	9,958.15	0.00	9,958.15
Total salaries and fringe benefits	\$ 89,615.22	\$ 0.00	\$ 89,615.22
Vehicle expenses	1,129.52	0.00	1,129.52
Utilities	10,842.21	0.00	10,842.21
Services	2,337.64	0.00	2,337.64
Supplies	17,570.99	0.00	17,570.99
Postage	816.99	0.00	816.99
Publications and subscriptions	446.00	0.00	446.00
Maintenance and repairs	409.88	0.00	409.88
Insurance	3,992.36	0.00	3,992.36
Legal and professional	2,850.00	0.00	2,850.00
License and memberships	220.00	0.00	220.00
Minor equipment	846.80	0.00	846.80
Veterinary services	29,580.36	0.00	29,580.36
Training and development	98.29	0.00	98.29
Tutor expenses	618.60	0.00	618.60
Sale item expense	88.00	0.00	88.00
Fundraising expenses	9,731.84	0.00	9,731.84
Expenses before depreciation	\$ 171,194.70	\$ 0.00	\$ 171,194.70
Depreciation	0.00	8,581.00	8,581.00
Total expenses	\$ 171,194.70	\$ 8,581.00	\$ 179,775.70

See accompanying notes to financial statements.

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2010**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$	48,452.59
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:			
Unrealized gain on investments	\$	(78.28)	
Dividends reinvested		(114.95)	
Depreciation and amortization		8,581.00	
(Increase) decrease in operating assets:			
Accounts receivable		334.90	
Prepaid expenses		36.36	
Increase (decrease) in operating liabilities			
Accounts payable		2,583.85	
Payroll taxes payable		291.26	
Net cash provided by operating activities			<u>\$ 11,634.14</u>
			<u>\$ 60,086.73</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of assets		(7,222.53)	
Proceeds from sale of asset		250.00	
Donated assets (net of adjustment)		(1,000.00)	
Net cash used by investing activities			<u>\$ (7,972.53)</u>

Net increase in cash and cash equivalents	\$	52,114.20
Cash and cash equivalents at beginning of year		<u>57,455.56</u>
Cash and cash equivalents at end of year	\$	<u>109,569.76</u>

See accompanying notes to financial statements.

Franklin County Humane Society
Winchester, Tennessee
Notes to Financial Statements
December 31, 2010

Note 1 - Summary of Significant Accounting Policies

Franklin County Humane Society is a local animal shelter that operates to prevent cruelty to animals, to educate the community, to maintain a foster care and adoption program, and to reduce future generations of unwanted companion animals by developing and maintaining a low cost spay/neuter program.

The financial statements of Franklin County Humane Society have been prepared on an accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Franklin County Humane Society has adopted Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Made, and SFAS No. 117, Financial Statements of Non Profit Organizations. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. A description of the net asset categories follows.

Unrestricted net assets include the following:

- A. General & Administrative: General includes the revenues and expenses associated with the principal mission of the Franklin County Humane Society.
- B. Land, Buildings, and Equipment: Land, Buildings, and Equipment assets are stated at market valuation as of October 29, 2001, plus subsequent additions at cost, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets.

Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met, trust activity and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

The financial statements present expenses by functional classification in accordance with the overall service mission of the Society. Each functional classification displays all expenses related to the underlying operations by natural classification. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the external debt.

Note 2 – Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires managements to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 - Cash

As of December 31, 2010, cash is made up of the following amounts:

Schedule of Cash:	
Unrestricted	\$ 47,435.36
Temporarily restricted	<u>62,134.40</u>
Total Cash	<u>\$ 109,569.76</u>

**Franklin County Humane Society
 Winchester, Tennessee
 Notes to Financial Statements
 December 31, 2010
 (Continued)**

Note 4 – Physical Properties

Property additions are recorded at cost or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful life. Expenses for additions, improvements, and replacements are added to the property accounts while expenses for maintenance and repairs are expensed currently.

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it is related and is amortized over the asset's estimated useful life. No interest was capitalized for the year ended December 31, 2010.

A summary of plant assets follows:

	January 1, 2010	Additions	Deletions	December 31, 2010
Land	\$ 32,246.92	\$ 0.00	\$ 0.00	\$ 32,246.92
Buildings	51,586.40	0.00	0.00	51,586.40
Equipment & Vehicles	47,024.85	7,222.53	1,996.80	52,250.58
	<u>130,858.17</u>	<u>7,222.53</u>	<u>1,996.80</u>	<u>136,083.90</u>
Less Accumulated				
Depreciation	(32,084.00)	(8,581.00)	1,463.00	(39,202.00)
	<u>\$ 98,774.17</u>	<u>\$ (1,358.47)</u>	<u>\$ 533.80</u>	<u>\$ 96,881.90</u>

The Society follows the policy of recording contributions of long-lived assets directly in investment in plant assets instead of recognizing their gift over the useful life of the asset. The amounts shown are from market valuation as of October 29, 2001, plus subsequent additions at cost or fair market value if donated.

Note 5 - Tax Exempt Status

The Franklin County Humane Society has been recognized as a non-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

Note 6 - Expendable Restricted Resources

Operating and plant funds restricted by the donor, grantor, or other outside party for particular operating purposes or for plant acquisitions are deemed to be earned and reported as revenues of operating funds or as additions to plant funds, respectively, when they are received by the Society

Note 7 - Cash Flows

For purposes of the statement of cash flows, Franklin County Humane Society considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Note 8 - Cash Deposits

The Society's cash deposits at year-end in the amount of \$109,569.76 less petty cash of \$300 and \$7.83 in a PayPal account, were covered entirely by federal depository insurance.

Franklin County Humane Society
 Winchester, Tennessee
 Notes to Financial Statements
 December 31, 2010
 (Continued)

Note 9 - Net Assets

Unrestricted net assets available for general operations at December 31, 2010. \$145,094.98

Temporarily restricted assets at December 31, 2010, are operating grant money as well as funds for the Society's programs listed below.

Education & Character Building Program	\$ 4,503.00
Low-Income Spay Program	2,000.00
New Shelter	55,000.00
Tail Waggin' Program	<u>631.40</u>
	<u>\$ 62,134.40</u>

Note 10- Employee Benefits

The Society does not offer insurance or retirement benefits. All employees other than the shelter and assistant managers are part-time employees and are not offered vacation or sick leave. The managers are allowed accrual of vacation only. Accrued compensated absences at December 31, 2010, were \$626.95.

Note 11- Donated Items/Services

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

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society.

During the year ended December 31, 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Note 12 -- Investments

At the beginning of 2010, the Franklin County Humane Society owned stock with a market value of \$5,872.78. The Society received a donation of stock with a market value of \$1,000.00 once in November 2010. After reinvestment of dividends \$98.52 and \$16.43 and unrealized gains of \$344.01 and \$18.07 respectively during 2010, the market value at December 31, 2010, of the Society's stock accounts were \$6,315.31 and \$1,034.50.

Note 13 -- Pledges

Pledges consist of unconditional promises to give through payroll deductions or solicited funds through fundraisers. At December 31, 2010, the Franklin County Humane Society had no unconditional promises to give.

Note 14 -- Advertising Costs

Advertising costs are expensed as incurred. Advertising expense totaled \$0.00 in 2010.

**Franklin County Humane Society
Winchester, Tennessee
Notes to Financial Statements
December 31, 2010
(Continued)**

Note 15 – Date of Management's Review

The Franklin County Humane Society has considered all events subsequent to December 31, 2010 and through April 1, 2011, the issuance date of these financial statements.