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**Franklin County Humane Society**

**Winchester, Tennessee**

**Audited Financial Statements**

**December 31, 2009**

**Franklin County Humane Society  
Winchester, Tennessee  
Financial Statements  
December 31, 2009**

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# BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

300 SOUTH JEFFERSON STREET, SUITE A, WINCHESTER, TN 37398

Office: 931-967-0611

Fax: 931-967-4784

www.brkcpa.com

Members of American Institute of  
Certified Public Accountants,  
Tennessee Society of CPAs,  
Association of Government Accountants

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, 2009, 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, 2009, 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, 2010

**FRANKLIN COUNTY HUMANE SOCIETY  
WINCHESTER, TENNESSEE  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2009**

ASSETS

Current assets:

Cash and cash equivalents		\$	57,455.56
Investments			5,872.78
Grants receivable			1,700.00
Prepaid assets			<u>1,541.08</u>
Total current assets			66,569.42

Non-current assets:

Capital assets:

Land	\$	32,246.92	
Buildings		51,586.40	
Furniture, fixtures and equipment		45,028.05	
Vehicles		<u>1,996.80</u>	\$ 130,858.17
Less accumulated depreciation			<u>(32,084.00)</u>
			<u>98,774.17</u>

Total assets			\$ <u><u>165,343.59</u></u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable		\$	4,182.72
Accrued salaries and leave			298.47
Payroll taxes payable			<u>2,085.61</u>
Total current liabilities			6,566.80

Net assets:

Unrestricted	\$	146,161.81	
Temporarily restricted		<u>12,614.98</u>	<u>158,776.79</u>

Total liabilities and net assets			\$ <u><u>165,343.59</u></u>
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See accompanying notes to financial statements.

**FRANKLIN COUNTY HUMANE SOCIETY  
WINCHESTER, TENNESSEE  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2009**

	General & Administrative	Land Buildings & Equipment	Total Unrestricted Net Assets
Revenues and support:			
Adoption fee income, net of discounts	\$ 26,037.00	\$ 0.00	\$ 26,037.00
State of Tennessee funding	0.00	0.00	0.00
Private foundation funding	0.00	0.00	0.00
Donations	132,696.02	2,278.98	134,975.00
Membership dues	540.00	0.00	540.00
Interest and dividends	650.21	0.00	650.21
Fundraising	10,998.98	0.00	10,998.98
Unrealized loss on investments	1,066.02	0.00	1,066.02
Miscellaneous income	375.26	0.00	375.26
	<u>\$ 172,363.49</u>	<u>\$ 2,278.98</u>	<u>\$ 174,642.47</u>
Total revenues			
Net assets released from restrictions	<u>31,841.02</u>	<u>0.00</u>	<u>31,841.02</u>
Expenses:			
Shelter program	\$ 178,168.05	\$ 0.00	\$ 178,168.05
Depreciation	0.00	8,581.00	8,581.00
	<u>\$ 178,168.05</u>	<u>\$ 8,581.00</u>	<u>\$ 186,749.05</u>
Total expenses			
Increase in net assets	\$ 26,036.46	\$ (6,302.02)	\$ 19,734.44
Beginning net assets	<u>21,351.18</u>	<u>105,076.19</u>	<u>126,427.37</u>
Ending net assets	<u>\$ 47,387.64</u>	<u>\$ 98,774.17</u>	<u>\$ 146,161.81</u>

(Continued)

Temporarily Restricted Net Assets	Total Net Assets
\$ 0.00	\$ 26,037.00
1,700.00	1,700.00
22,200.00	22,200.00
0.00	134,975.00
0.00	540.00
0.00	650.21
0.00	10,998.98
0.00	1,066.02
0.00	375.26
<u>\$ 23,900.00</u>	<u>\$ 198,542.47</u>
<u>(31,841.02)</u>	<u>0.00</u>
\$ 0.00	\$ 178,168.05
<u>0.00</u>	<u>8,581.00</u>
<u>\$ 0.00</u>	<u>\$ 186,749.05</u>
\$ (7,941.02)	\$ 11,793.42
<u>20,556.00</u>	<u>146,983.37</u>
<u>\$ 12,614.98</u>	<u>\$ 158,776.79</u>

See accompanying notes to financial statements.

**FRANKLIN COUNTY HUMANE SOCIETY  
WINCHESTER, TENNESSEE  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2009**

	General & Administrative	Land, Buildings & Equipment	Total Expenses
Salaries	\$ 86,797.25	\$ 0.00	\$ 86,797.25
Fringe benefits	13,117.42	0.00	13,117.42
 Total salaries and fringe benefits	 \$ 99,914.67	 \$ 0.00	 \$ 99,914.67
 Travel	 503.08	 0.00	 503.08
Vehicle expenses	888.68	0.00	888.68
Utilities	9,428.47	0.00	9,428.47
Services	748.70	0.00	748.70
Supplies	19,113.10	0.00	19,113.10
Postage	812.88	0.00	812.88
Publications and subscriptions	261.00	0.00	261.00
Maintenance and repairs	892.05	0.00	892.05
Insurance	3,314.12	0.00	3,314.12
Legal and professional	2,800.00	0.00	2,800.00
License and memberships	240.00	0.00	240.00
Minor equipment	908.10	0.00	908.10
Veterinary services	29,260.27	0.00	29,260.27
Education program	85.02	0.00	85.02
Training and development	1,824.40	0.00	1,824.40
Sale item expense	58.21	0.00	58.21
Fundraising expenses	7,115.30	0.00	7,115.30
 Expenses before depreciation	 \$ 178,168.05	 \$ 0.00	 \$ 178,168.05
Depreciation	0.00	8,581.00	8,581.00
Total expenses	<u>\$ 178,168.05</u>	<u>\$ 8,581.00</u>	<u>\$ 186,749.05</u>

See accompanying notes to financial statements.

**FRANKLIN COUNTY HUMANE SOCIETY  
 WINCHESTER, TENNESSEE  
 STATEMENT OF CASH FLOWS  
 YEAR ENDED DECEMBER 31, 2009**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets		\$ 11,793.42
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Unrealized gain on investments	\$ (1,066.02)	
Dividends reinvested	(88.45)	
Depreciation and amortization	8,581.00	
(Increase) decrease in operating assets:		
Accounts receivable	(1,700.00)	
Prepaid expenses	116.86	
Increase (decrease) in operating liabilities		
Accounts payable	(186.97)	
Payroll taxes payable	(64.95)	
Net cash provided by operating activities	<u>5,591.47</u>	<u>\$ 17,384.89</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of assets	(1,428.98)	
Donated assets (net of adjustment)	(1,850.00)	
Net cash used by investing activities	<u>(3,278.98)</u>	<u>\$ (3,278.98)</u>

Net increase in cash and cash equivalents	\$ 14,105.91
Cash and cash equivalents at beginning of year	<u>43,349.65</u>
Cash and cash equivalents at end of year	<u><u>\$ 57,455.56</u></u>

See accompanying notes to financial statements.



**Franklin County Humane Society  
Winchester, Tennessee  
Notes to Financial Statements  
December 31, 2009**

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, 2009, cash is made up of the following amounts:

Schedule of Cash:	
Unrestricted	\$ 46,540.58
Temporarily restricted	10,914.98
Total Cash	<u>\$ 57,455.56</u>

**Franklin County Humane Society  
Winchester, Tennessee  
Notes to Financial Statements  
December 31, 2009  
(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, 2009.

A summary of plant assets follows:

	January 1, 2009	Additions	Deletions	December 31, 2009
Land	\$ 32,246.92	\$ 0.00	\$ 0.00	\$ 32,246.92
Buildings	50,466.42	1,119.98	0.00	51,586.40
Equipment & Vehicles	45,865.85	1,159.00	0.00	47,024.85
	<u>128,579.19</u>	<u>2,278.98</u>	<u>0.00</u>	<u>130,858.17</u>
Less Accumulated Depreciation	(23,503.00)	(8,581.00)	0.00	(32,084.00)
	<u>\$ 105,076.19</u>	<u>\$ (6,302.02)</u>	<u>\$ 0.00</u>	<u>\$ 98,774.17</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 \$57,455.56, less petty cash of \$300 and \$323.70 in a PayPal account, were covered entirely by federal depository insurance or by custodial bank in the Society's name.

**Franklin County Humane Society  
Winchester, Tennessee  
Notes to Financial Statements  
December 31, 2009  
(Continued)**

Note 9 - Net Assets

Unrestricted net assets available for general operations at December 31, 2009. \$146,161.81

Temporarily restricted assets at December 31, 2009, are operating grant money for the Society's low income spay/neuter program. \$ 12,614.98

Note 10- Employee Benefits

The Society does not offer insurance or retirement benefits. All employees other than the shelter manager are part-time employees and are not offered vacation or sick leave. The shelter manager is allowed accrual of vacation only. Accrued compensated absences at December 31, 2009, were \$298.47.

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, 2009, 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 2009, the Franklin County Humane Society owned stock with a market value of \$3,718.31. The Society received a donation of stock with a market value of \$1,000.00 once in 2009. After reinvestment of dividends \$88.45 and an unrealized gain \$1,066.02 during 2009, the market value at December 31, 2009, of the Society's stock account was \$5,872.78.

Note 13 - Pledges

Pledges consist of unconditional promises to give through payroll deductions or solicited funds through fundraisers. At December 31, 2009, 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 2009.

Note 15 - Commitments

During 2007 the Shelter entered into an agreement with Hill's Science Diet Pet Foods to receive pet food exclusively for the purpose of feeding the Shelter's animals. The shelter is not charged for the food but is required to pay shipping and handling costs, less a cash rebate, for the complimentary products. The Shelter is also required to distribute a complimentary trial size bag of Science Diet pet food with each pet adopted, to promote and display the products in the Shelter, require a portion of the staff to complete the Hill's Pet Nutritional Counselor Program, as well as provide Hill's with information about pet adopters with the adopters' consent.