

**Franklin County Humane Society**  
**Winchester, Tennessee**

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**Audited Financial Statements**  
**For the Year Ended**  
**December 31, 2011**

Vance CPA, LLC  
*Certified Public Accountant*  
178 Honey Hollow Lane • Belvidere, Tennessee 37306  
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WINCHESTER, TENNESSEE  
December 31, 2011**

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*American Institute of Certified Public Accountants*

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Franklin County Humane Society (a nonprofit organization) as of December 31, 2011, 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, 2011, 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 State of America.

Belvidere, Tennessee  
April 15, 2012

*Vance CPA LLC*

**Vance CPA, LLC**

## STATEMENT OF FINANCIAL POSITION

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

December 31, 2011

#### Assets

##### Current Assets:

Cash and cash equivalents		\$	153,751
Investments			7,967
Accounts receivable			723
Prepaid assets			<u>1,278</u>
<b>Total current assets</b>			<u>163,719</u>

#### Non-current assets

##### Capital assets:

Land	32,247		
Buildings	51,859		
Furniture, fixtures and equipment	49,764		
Vehicles	<u>6,000</u>	139,870	
Less accumulated depreciation		<u>(47,574)</u>	<u>92,296</u>

##### **Total Assets**

**256,015**

#### Liabilities and Net Assets:

##### Current Liabilities:

Accounts payable			6,815
Accrued salaries and leave			521
Payroll taxes payable			<u>2,439</u>
<b>Total current liabilities</b>			<u>9,775</u>

##### Net assets:

Unrestricted	143,274		
Temporarily restricted – education and character building program	1,323		
Temporarily restricted – low-income spay program	6,293		
Temporarily restricted – new shelter	85,000		
Temporarily restricted – shelter equipment	<u>10,350</u>		<u>246,240</u>

##### **Total liabilities and net assets**

**\$ 256,015**

See accompanying notes to financial statements.

## STATEMENT OF ACTIVITIES

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

For the Year Ended December 31, 2011

	<u>General &amp; Administrative</u>	<u>Land Buildings &amp; Equipment</u>	<u>Total Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
<b>Revenues and support</b>					
Adoption fee income, net of discounts	\$ 36,644	\$ —	\$ 36,644	\$ —	\$ 36,644
State of Tennessee funding	—	—	—	2,100	2,100
Private foundation funding	—	—	—	24,450	24,450
Donations	115,731	3,786	119,517	30,000	149,517
Membership dues	504	—	504	—	504
Interest and dividends	139	—	139	—	139
Fundraising	14,413	—	14,413	—	14,413
Unrealized loss on investments	(383)	—	(383)	—	(383)
Miscellaneous income	<u>2,025</u>	<u>—</u>	<u>2,025</u>	<u>—</u>	<u>2,025</u>
<b>Total revenues</b>	<b><u>169,073</u></b>	<b><u>3,786</u></b>	<b><u>172,859</u></b>	<b><u>56,550</u></b>	<b><u>229,409</u></b>
Net assets released from restrictions	<u>15,718</u>	<u>—</u>	<u>15,718</u>	<u>(15,718)</u>	<u>—</u>
<b>Expenses</b>					
Shelter program	182,026	—	182,026	—	182,026
Depreciation	<u>—</u>	<u>8,372</u>	<u>8,372</u>	<u>—</u>	<u>8,372</u>
<b>Total expenses</b>	<b><u>182,026</u></b>	<b><u>8,372</u></b>	<b><u>190,398</u></b>	<b><u>—</u></b>	<b><u>190,398</u></b>
Increase in net assets	2,765	(4,586)	(1,821)	40,832	39,011
Beginning net assets	<u>48,213</u>	<u>96,882</u>	<u>145,095</u>	<u>62,134</u>	<u>207,229</u>
<b>Ending net assets</b>	<b><u>\$ 50,978</u></b>	<b><u>\$ 92,296</u></b>	<b><u>\$ 143,274</u></b>	<b><u>\$ 102,966</u></b>	<b><u>\$ 246,240</u></b>

See accompanying notes to financial statements.

## STATEMENT OF FUNCTIONAL EXPENSES

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

For the Year Ended December 31, 2011

	<u>General &amp; Administrative</u>	<u>Land Buildings &amp; Equipment</u>	<u>Total Expenses</u>
Salaries	\$ 85,970	\$ —	\$ 85,970
Fringe benefits	<u>10,508</u>	<u>—</u>	<u>10,508</u>
<b>Total salaries and fringe benefits</b>	<u>96,478</u>	<u>—</u>	<u>96,478</u>
Vehicle expenses	2,969	—	2,969
Utilities	11,580	—	11,580
Office expense	1,348	—	1,348
Supplies	14,606	—	14,606
Postage	5,388	—	5,388
Printing	3,747	—	3,747
Publications and subscriptions	278	—	278
Maintenance and repairs	1,208	—	1,208
Insurance	3,624	—	3,624
Legal and professional	3,025	—	3,025
License and memberships	248	—	248
Minor equipment	759	—	759
Veterinary services	31,182	—	31,182
Training and development	880	—	880
Tutor expenses	617	—	617
Sale item expense	1,040	—	1,040
Volunteer program	336	—	336
Fundraising expenses	<u>2,713</u>	<u>—</u>	<u>2,713</u>
<b>Expenses before depreciation</b>	<u>182,026</u>	<u>—</u>	<u>182,026</u>
<b>Depreciation</b>	<u>—</u>	<u>8,372</u>	<u>8,372</u>
<b>Total expenses</b>	<u><b>\$ 182,026</b></u>	<u><b>\$ 8,372</b></u>	<u><b>\$ 190,398</b></u>

See accompanying notes to financial statements.

## STATEMENT OF CASH FLOWS

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

For the Year Ended December 31, 2011

#### Cash Flows from Operating Activities:

Increase in net assets		\$39,011
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Unrealized loss on investments	383	
Depreciation and amortization	8,372	
(Increase) decrease in operating assets:		
Accounts receivable	642	
Prepaid expenses	226	
Increase (decrease) in operating liabilities		
Accounts payable	377	
Payroll taxes payable	<u>(44)</u>	<u>9,956</u>

**Net cash provided by Operating Activities** 48,967

#### Cash Flows from Investing Activities

Acquisition of assets	(3,786)	
Donated assets (net of adjustment)	<u>(1,000)</u>	

**Net cash provided used by Investing activities** (4,786)

**Net increase in cash and cash equivalents** 44,181

**Cash and cash equivalents at beginning of year** 109,570

**Cash and cash equivalents at end of year** \$ 153,751

See accompanying notes to financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FRANKLIN COUNTY HUMANE SOCIETY**

### **WINCHESTER TENNESSEE**

**December 31, 2011**

#### **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 Human 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 benefitted from the proceeds of the external debt.



## NOTES TO THE FINANCIAL STATEMENTS

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

December 31, 2011

#### 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, 2011, cash is made up of the following amounts:

Schedule of Cash	
Unrestricted	\$ 50,785
Temporarily restricted	<u>102,966</u>
Total Cash	<u>\$ 153,751</u>

#### 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 expensed for maintenance and repairs are expenses 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, 2011.

A summary of plant assets follows:

	<u>01/01/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>12/31/2011</u>
Land	\$ 32,247	\$ —	\$ —	\$ 32,247
Buildings	51,586	273	—	51,859
Equipment & Vehicles	<u>52,251</u>	<u>3,513</u>	<u>—</u>	<u>55,764</u>
	136,084	3,786	—	139,870
Less Accumulated Depreciation	<u>(39,202)</u>	<u>(8,372)</u>	<u>—</u>	<u>(47,574)</u>
	<u>\$ 96,882</u>	<u>\$ (4,586)</u>	<u>\$ —</u>	<u>\$ 92,296</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE December 31, 2011**

#### **Note 4– Physical Properties (Continued)**

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 \$153,751 less petty cash of \$300 and \$8 in a PayPal account were covered entirely by federal depository insurance.

## NOTES TO THE FINANCIAL STATEMENTS

### FRANKLIN COUNTY HUMANE SOCIETY WINCHESTER TENNESSEE

December 31, 2011

#### Note 9 – Net Assets

Unrestricted net assets available for general operations at December 31, 2011.     \$ 143,274

Temporarily restricted assets at December 31, 2011, are operating grant money as well as funds for the Society's programs listed below.

Education & Character Building Program	\$	1,323
Low-Income Spay Program		6,293
New Shelter		85,000
Shelter Equipment		<u>10,350</u>
	\$	<u>102,966</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, 2011, were \$521.

#### 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, 2011, 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 2011, the Franklin County Humane Society owned stock with a market value of \$7,350. The Society received a donation of stock with a market value of \$1,000 once in November 2011. After unrealized gains of (\$403) and \$20 respectively during 2011, the market value at December 31, 2011, of the Society's stock accounts were \$5,912 and \$2,055.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FRANKLIN COUNTY HUMANE SOCIETY**

### **WINCHESTER TENNESSEE**

**December 31, 2011**

#### **Note 13 – Pledges**

Pledges consist of unconditional promises to give through payroll deductions or solicited funds through fundraisers. At December 31, 2011, the Franklin County Humane Society has unconditional promises to give of \$723.

#### **Note 14 – Advertising Costs**

Advertising costs are expensed as incurred. Advertising expense totaled \$73 in 2011.

#### **Note 15 – Date Of Management’s Review**

The Franklin County Humane Society has considered all events subsequent to December 31, 2011 and through April 15, 2012, the issuance date of these financial statements.