

**NASHVILLE HUMANE ASSOCIATION
AND SUPPORTING FOUNDATION**

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

December 31, 2009

**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 statement of financial position of Nashville Humane Association and Supporting Foundation (a nonprofit Association) as of December 31, 2009 and the related consolidated statements of activities, functional expenses and cash flows for the eight month period 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 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 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 audit provides 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 December 31, 2009, and the changes in their net assets and their cash flows for the eight month period then ended in conformity with accounting principles generally accepted in the United States of America.

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 17-19 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

May 7, 2010

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
December 31, 2009

Assets

Current assets:	
Cash and cash equivalents	\$ 1,946,321
Prepaid expenses	4,094
Contribution receivable	<u>40,000</u>
Total current assets	1,990,415
Beneficial interest in trusts	796,036
Investments	8,627,923
Land, building and equipment, net	<u>2,770,221</u>
Total assets	<u><u>\$ 14,184,595</u></u>

Liabilities and Net Assets

Current liabilities:	
Accounts payable	<u>\$ 13,592</u>
Total current liabilities	<u>13,592</u>
Net assets:	
Unrestricted:	
Undesignated	4,236,604
Designated	<u>6,770,898</u>
Total unrestricted	11,007,502
Temporarily restricted	675,321
Permanently restricted	<u>2,488,180</u>
Total net assets	<u>14,171,003</u>
Total liabilities and net assets	<u><u>\$ 14,184,595</u></u>

See accompanying notes to financial statements.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Eight Month Period Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue:				
Public support:				
Donations	\$ 567,885	\$ 49,486	\$ -	\$ 617,371
Auxiliary fundraisers	273,523	-	-	273,523
In-kind donations	152,513	-	-	152,513
Net assets released from restriction	16,264	(16,264)	-	-
Total public support	1,010,185	33,222	-	1,043,407
Revenue:				
Adoptions	115,500	-	-	115,500
Other program services	35,844	-	-	35,844
Grants	222,400	-	-	222,400
Investment income	826,239	-	-	826,239
Change in value of beneficial interest in trusts	-	66,660	4,141	70,801
Total revenue	1,199,983	66,660	4,141	1,270,784
Total public support and revenue	2,210,168	99,882	4,141	2,314,191
Expenses:				
Program services:				
Shelter operations	768,710	-	-	768,710
Rover	165,154	-	-	165,154
CSNP	108,574	-	-	108,574
Total program services	1,042,438	-	-	1,042,438
Supporting services:				
Management and general	143,309	-	-	143,309
Fundraising	183,333	-	-	183,333
Total supporting services	326,642	-	-	326,642
Total expenses	1,369,080	-	-	1,369,080
Change in net assets	841,088	99,882	4,141	945,111
Net assets at April 30, 2009	10,166,414	575,439	2,484,039	13,225,892
Net assets at December 31, 2009	\$ 11,007,502	\$ 675,321	\$2,488,180	\$ 14,171,003

See accompanying notes to financial statements.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Eight Month Period Ended December 31, 2009

	Program Services			Supporting Services		
	Shelter Operations	Rover	CSNP	Total	Management and General Fundraising	Total Expenses
Salaries	\$ 254,358	\$ 49,530	\$ 27,905	\$ 331,793	\$ 42,180	\$ 122,561
In-kind	132,513	-	-	132,513	20,000	20,000
Vet fees	33,181	40,668	34,356	108,205	-	-
Vet supplies	39,572	21,298	30,016	90,886	-	-
Payroll taxes and employee benefits	50,603	9,854	5,551	66,008	8,391	15,991
Depreciation	54,482	15,792	3,948	74,222	1,579	3,158
Fundraising events	-	-	-	-	-	74,205
Telephone and utilities	38,713	10,876	2,842	52,431	2,610	7,329
Shelter supplies	34,499	7,032	3,956	45,487	-	-
Repairs and maintenance	44,406	282	-	44,688	-	-
Advocacy and continuing education	41,685	-	-	41,685	-	-
Insurance	21,620	3,333	-	24,953	4,879	9,758
Legal and professional	-	-	-	-	33,358	33,358
Miscellaneous	14,200	55	-	14,255	308	308
Office expense	-	490	-	490	11,851	11,851
Bank charges and investment fees	-	-	-	-	12,104	12,104
Auto and truck expenses	969	5,944	-	6,913	-	6,913
Technology	-	-	-	-	4,368	4,368
Cremation services	3,791	-	-	3,791	-	3,791
Equipment rental	3,070	-	-	3,070	-	3,070
Taxes and licenses	-	-	-	-	1,681	1,681
Laundry and uniforms	1,048	-	-	1,048	-	1,048
	<u>\$ 768,710</u>	<u>\$ 165,154</u>	<u>\$ 108,574</u>	<u>\$1,042,438</u>	<u>\$ 143,309</u>	<u>\$ 326,642</u>
					<u>\$ 183,333</u>	<u>\$1,369,080</u>

See accompanying notes to financial statements.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Eight Month Period Ended December 31, 2009

Cash flows from operating activities:	
Change in net assets	\$ 945,111
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	78,959
Unrealized gain on investments	(619,563)
Change in operating assets and liabilities:	
Contribution receivable	(40,000)
Deposits	1,000
Beneficial interest in trusts	(70,801)
Accounts payable	3,020
	<hr/>
Net cash provided by operating activities	297,726
	<hr/>
Cash flows from investing activities:	
Purchase of land, building and equipment	(13,993)
Purchase of investments	(1,125,795)
Proceeds from sale of investments	227,000
	<hr/>
Net cash used in investing activities	(912,788)
	<hr/>
Decrease in cash	(615,062)
	<hr/>
Cash and cash equivalents at April 30, 2009	2,561,383
	<hr/>
Cash and cash equivalents at December 31, 2009	\$ 1,946,321
	<hr/>

See accompanying notes to financial statements.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009

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 to 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.

During 2009, the Association changed its year end from April 30 to December 31.

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)
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the consolidated statement 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.

Contribution Receivable

Contributions are recognized when the donor makes a promise to give to the Association that is, in substance, unconditional. All other donor restrictions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. Restrictions that are fulfilled in the same accounting period in which the contributions are received are reported in the statement of activities as unrestricted.

Investments

Investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. See Note 2 for discussion of fair value measurements. Unrealized gains and losses, as well as appreciation or depreciation in market value, are reflected in the accompanying financial statements.

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.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Beneficial Interest in Trusts

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 Trusts 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)
December 31, 2009

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Endowment Funds

According to the Not-for-Profit topic of the FASB ASC, 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. The Not-for-Profit topic of the FASB ASC 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 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.

Recently Adopted Accounting Standards

The Association adopted FASB ASC guidance concerning the accounting for uncertainty in income taxes recognized in an entity's financial statements. This interpretation prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. This guidance must be applied to all existing tax positions upon initial adoption. Adoption of this pronouncement had no impact on the Association's consolidated statement of financial position or consolidated statement of activities of operations. Tax years that remain open for examination include years ended December 31, 2007 through December 31, 2009. There are no tax penalties or interest reported in the accompanying financial statements.

Accounting Standards Codification

The Financial Accounting Standards Board ("FASB ASC") became the sole authoritative source of generally accepted accounting principles in the United States of America for periods ending after September 15, 2009. The FASB ASC incorporates all authoritative literature previously issued by a standard setter. Adoption of the FASB ASC has no effect on the Association's financial position, change in net assets, or cash flows.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 2 – FAIR VALUE MEASUREMENTS

The Association follows the Fair Value Measurements and Disclosures topic of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The three levels of the fair value hierarchy are described below:

- | | |
|----------------|---|
| <i>Level 1</i> | inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets. |
| <i>Level 2</i> | inputs to the valuation methodology include: 1) quoted prices for similar assets or liabilities in active markets, 2) quoted prices for identical or similar assets or liabilities in inactive markets, 3) inputs other than quoted prices that are observable for the asset or liability, and 4) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. |
| <i>Level 3</i> | inputs to the valuation methodology are unobservable and significant to the fair value measurement. |

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodology used for asset measurement at fair value at December 31, 2009:

Fixed income securities and common stocks: Valued at the net asset value ("NAV") of shares held by the Association at year end.

Beneficial interest in trusts: Valued using information obtained from third party sources, including financial statements and other information from detailed listing of holdings from the trust. These valuations are typically performed annually, based on the present value of the estimated future distributions the Association expects to receive over the term of the trust.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 2 – FAIR VALUE MEASUREMENTS (Continued)

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association's management 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 fair value measurement at the reporting date.

NOTE 3 – CONTRIBUTION RECEIVABLE

At December 31, 2009, contribution receivable totaled \$40,000. Management considers the contribution receivable to be fully collectible at December 31, 2009. Accordingly, no allowance for doubtful accounts has been provided.

NOTE 4 – INVESTMENTS

Investments are stated at fair value with fair value determined based on active markets (Level 1) and consist of the following at December 31, 2009:

Fixed income securities	\$ 4,642,449
Common stocks	<u>3,985,474</u>
	<u>\$ 8,627,923</u>

The following schedule summarizes the investment return for the eight month period ended December 31, 2009:

Interest and dividends	\$ 206,676
Unrealized gains, net	<u>619,563</u>
	<u>\$ 826,239</u>

NOTE 5 – 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 3.85% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$575,000 as of December 31, 2009.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 5 – 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 3.85% discount rate, the present value of future benefits expected to be received by the Association totaled approximately \$28,000 at December 31, 2009.

The Association is one of five beneficiaries of a perpetual trust. The assets of the trust, totaling approximately \$1,140,000 at December 31, 2009, 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 \$79,000 at December 31, 2009, are also held and administered by an outside fiscal agent. The Association has recorded assets, which are considered permanently restricted, of approximately \$193,000 at December 31, 2009, representing its beneficial interest in the trusts based on the present value of amounts to be received. The Association received approximately \$800 available to the Association from these trusts for the eight month period ended December 31, 2009.

NOTE 6 – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consists of the following at December 31, 2009:

Land	\$ 426,395
Building	2,663,373
Furniture and fixtures	59,843
Equipment	523,613
Works of art	16,625
Vehicles	<u>274,240</u>
	3,964,089
Less: accumulated depreciation	<u>(1,193,868)</u>
	<u>\$ 2,770,221</u>

NOTE 7 – NET ASSETS

Temporarily restricted net assets consist of the following at December 31, 2009:

Relief aid	\$ 9,112
Unconditional promises to give due in future periods	40,000
Teddy Wagon	23,354
Beneficial interest in trusts	<u>602,855</u>
	<u>\$ 675,321</u>

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 7 – NET ASSETS (Continued)

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 \$2,488,180 at December 31, 2009.

NOTE 8 – 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 meeting accounting criteria described in Note 1 and recognized in the accompanying financial statements for the eight month period ended December 31, 2009 totaled \$152,513.

NOTE 9 – EMPLOYEE BENEFIT PLAN

The Association has established a Simple IRA Retirement Plan. 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 \$6,216 for the eight month period ended December 31, 2009.

NOTE 10 – 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 \$1.9 million at December 31, 2009.

NOTE 11 – CONCENTRATIONS

The Association received \$209,000, or approximately 19% of public support, from one major donor for the eight month period ended December 31, 2009.

NOTE 12 – 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.

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 12 – ENDOWMENT (Continued)

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

Endowment net asset composition by type of fund for the eight month period ended December 31, 2009 is as follows:

	<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>6,770,898</u>	<u>-</u>	<u>6,770,898</u>
Total funds	<u>\$ 6,770,898</u>	<u>\$ 2,295,000</u>	<u>\$ 9,065,898</u>

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
December 31, 2009

NOTE 12 – ENDOWMENT (Continued)

Changes in endowment net assets for the eight month period ended December 31, 2009 is as follows:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 5,945,676	\$ 2,295,000	\$ 8,240,676
Investment return	826,222	-	826,222
Contributions	-	-	-
Expenditures	<u>(1,000)</u>	<u>-</u>	<u>(1,000)</u>
Endowment net assets, end of year	<u>\$ 6,770,898</u>	<u>\$ 2,295,000</u>	<u>\$ 9,065,898</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 13 – SUBSEQUENT EVENTS

The Association evaluated subsequent events through May 7, 2010 , when these financial statements were available to be issued. The Association is are not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on the consolidated financial statements.

ADDITIONAL INFORMATION

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
December 31, 2009

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Consolidated
Current assets:			
Cash and cash equivalents	\$ 1,507,833	\$ 438,488	\$ 1,946,321
Prepaid expenses	4,094	-	4,094
Contribution receivable	40,000	-	40,000
	<hr/>	<hr/>	<hr/>
Total current assets	1,551,927	438,488	1,990,415
Beneficial interest in trusts	796,036	-	796,036
Investments	513	8,627,410	8,627,923
Land, building and equipment, net	2,770,221	-	2,770,221
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 5,118,697</u>	<u>\$ 9,065,898</u>	<u>\$ 14,184,595</u>
Current liabilities:			
Accounts payable	\$ 13,592	\$ -	\$ 13,592
	<hr/>	<hr/>	<hr/>
Total current liabilities	13,592	-	13,592
Net assets:			
Unrestricted			
Undesignated	4,236,604	-	4,236,604
Designated	-	6,770,898	6,770,898
Total unrestricted	4,236,604	6,770,898	11,007,502
	<hr/>	<hr/>	<hr/>
Temporarily restricted	675,321	-	675,321
Permanently restricted	193,180	2,295,000	2,488,180
	<hr/>	<hr/>	<hr/>
Total net assets	5,105,105	9,065,898	14,171,003
	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 5,118,697</u>	<u>\$ 9,065,898</u>	<u>\$ 14,184,595</u>

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES
For the Eight Months Ended December 31, 2009

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Consolidated
<u>Unrestricted</u>			
Public support and revenue:			
Public support:			
Donations	\$ 567,885	\$ -	\$ 567,885
Auxiliary fundraisers	273,523	-	273,523
In-kind donations	152,513	-	152,513
Net assets released from restriction	16,264	-	16,264
Total public support	1,010,185	-	1,010,185
Revenue:			
Adoptions	115,500	-	115,500
Other program services	35,844	-	35,844
Grants	222,400	-	222,400
Investment income	17	826,222	826,239
Total revenue	373,761	826,222	1,199,983
Total public support and revenue	1,383,946	826,222	2,210,168
Expenses:			
Program services:			
Shelter operations	768,710	-	768,710
Rover	165,154	-	165,154
CSNP	108,574	-	108,574
Total program services	1,042,438	-	1,042,438
Supporting services:			
Management and general	142,309	1,000	143,309
Fundraising	183,333	-	183,333
Total supporting services	325,642	1,000	326,642
Total expenses	1,368,080	1,000	1,369,080
Change in unrestricted net assets	15,866	825,222	841,088
Unrestricted net assets at April 30, 2009	4,220,738	5,945,676	10,166,414
Unrestricted net assets at December 31, 2009	<u>\$ 4,236,604</u>	<u>\$ 6,770,898</u>	<u>\$ 11,007,502</u>

NASHVILLE HUMANE ASSOCIATION AND SUPPORTING FOUNDATION
CONSOLIDATING STATEMENT OF ACTIVITIES (Continued)
Eight Months Ended December 31, 2009

	Nashville Humane Association	Nashville Humane Association Supporting Foundation	Consolidated
<u>Temporarily restricted</u>			
Public support:			
Donations	\$ 49,486	\$ -	\$ 49,486
Total public support	49,486	-	49,486
Revenue:			
Change in value of beneficial interest in trusts	66,660	-	66,660
Total revenue	66,660	-	66,660
Net assets released from restriction	(16,264)	-	(16,264)
Change in temporarily restricted net assets	99,882	-	99,882
Temporarily restricted net assets at April 30, 2009	575,439	-	575,439
Temporarily restricted net assets at December 31, 2009	<u>\$ 675,321</u>	<u>\$ -</u>	<u>\$ 675,321</u>
<u>Permanently restricted</u>			
Permanently restricted net assets at April 30, 2009	\$ 189,039	\$ 2,295,000	\$ 2,484,039
Change in value of beneficial interest in trusts	4,141	-	4,141
Permanently restricted net assets at December 31, 2009	<u>\$ 193,180</u>	<u>\$ 2,295,000</u>	<u>\$ 2,488,180</u>