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 (970) 264-2135

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010

  
LAURENCE D SCHWARTZ  
BOARD OF DIRECTORS PRESIDENT  
6/16/11

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Humane Society of Pagosa Springs, Inc.  
Pagosa Springs, Colorado

I have audited the accompanying Statement of Financial Position of the Humane Society of Pagosa Springs, Inc. as of December 31, 2010, and the related statements of activities, functional expense, and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Pagosa Springs, Inc. as of December 31, 2010, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.



Michael C. Branch  
Certified Public Accountant  
February 2, 2011

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Statement of Financial Position  
December 31, 2010

	Humane Society	Building Fund	Endowment Fund	Total
<b>Assets</b>				
Cash	\$ 107,013	\$ 210,403	\$ 3,104	\$ 320,520
Receivables	3,125	4,945		8,070
Inventory	12,143			12,143
Fixed assets (net)	<u>1,666,195</u>			<u>1,666,195</u>
Total Assets	<u>\$ 1,788,476</u>	<u>\$ 215,348</u>	<u>\$ 3,104</u>	<u>\$ 2,006,928</u>
<b>Liabilities and Net Assets</b>				
<b>Liabilities</b>				
Accounts and taxed payable	\$ 19,921	\$	\$	\$ 19,921
Accrued payroll and vacation	22,219			22,219
Note payable	<u>605,423</u>			<u>605,423</u>
Total Liabilities	<u>647,563</u>			<u>647,563</u>
<b>Net Assets</b>				
Unrestricted	1,140,913			1,140,913
Temporarily restricted		215,348		215,348
Permanently restricted			<u>3,104</u>	<u>3,104</u>
Total Net Assets	<u>1,140,913</u>	<u>215,348</u>	<u>3,104</u>	<u>1,359,365</u>
Total Liabilities and Net Assets	<u>\$ 1,788,476</u>	<u>\$ 215,348</u>	<u>\$ 3,104</u>	<u>\$ 2,006,928</u>

See accompanying notes  
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HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Statement of Activities  
Year Ended December 31, 2010

	<u>Fund Raising</u>	<u>Administration</u>	<u>Shelter</u>	<u>Thrift Shop</u>	<u>Total</u>
Revenue and Support					
Donations	\$	\$ 62,912	\$ 7,106	\$ 50	\$ 70,068
Shelter fees			124,189		124,189
Interest		797	375	28	1,200
Fund raising	67,844				67,844
Product sales		8,575	1,205	369,874	379,654
Total Support and Revenue	<u>67,844</u>	<u>72,284</u>	<u>132,875</u>	<u>369,952</u>	<u>642,955</u>
Expenses					
Program - Kennel			327,208		327,208
Depreciation		321	34,975	9,535	44,831
Thrift Shop				218,356	218,356
Administrative	3,593	52,807			56,400
Fund raising	27,899				27,899
Cost of goods sold		2,140	297	14,334	16,771
Total Expenses	<u>31,492</u>	<u>55,268</u>	<u>362,480</u>	<u>242,225</u>	<u>691,465</u>
Net Income	36,352	17,016	(229,605)	127,727	(48,510)
Transfers In			199,312		199,312
Transfers Out					
Increase in Net Assets	\$ <u>36,352</u>	\$ <u>17,016</u>	\$ <u>(30,293)</u>	<u>127,727</u>	<u>150,802</u>
Net Assets Beginning of Year					990,111
Net Assets End of Year				\$	<u>1,140,913</u>

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Statement of Functional Expenses  
Year Ended December 31, 2010

	<u>Fund Raising</u>	<u>Administration</u>	<u>Shelter</u>	<u>Thrift Shop</u>	<u>Totals 2010</u>
Salaries and payroll taxes \$	4,534	\$ 27,244	\$ 165,849	\$ 130,305	\$ 327,932
Operation	4,564	19,165	124,210	74,869	222,808
Utilities			11,755	13,175	24,930
Marketing	94	6,398	66	7	6,565
Fund raising Program	22,300		25,328		22,300 25,328
Depreciation		321	34,975	9,535	44,831
Cost of goods sold		2,140	297	14,334	16,771
<b>Total \$</b>	<u>31,492</u>	<u>\$ 55,268</u>	<u>\$ 362,480</u>	<u>\$ 242,225</u>	<u>\$ 691,465</u>

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Statement of Cash Flows  
Year Ended December 31, 2010

Cash Flows From Operating Activities	
Cash received from program revenue	\$ 504,882
Cash received from contributions	137,912
Cash from other activities	1,182
Cash paid for supplies and services	<u>(641,471)</u>
Net Cash Provided by Operating Activities	2,505
Cash Flow From Financing Activities	
Net change in long term debt	<u>(9,212)</u>
Net Cash Used in Financing Activities	(9,212)
Cash Flow From capital Activities	
Transfers	199,312
Purchase of fixed assets	<u>(222,940)</u>
Net Cash Used in capital Activities	(23,628)
Net decrease in cash	(30,335)
Cash, Beginning of Year	<u>137,348</u>
Cash, End of Year	<u>\$ 107,013</u>
Reconciliation of Excess of Support and Revenue Over Expenses to Net Cash Provided by Operating Activities:	
Increase in Net Assets	\$ (48,510)
Adjustments to Reconcile Excess of Support and Revenue Over Expenses to Net Cash Provided by Operating Activities:	
Depreciation	44,831
Increase in payables	5,261
Increase in receivables	1,039
Increase in inventory	<u>(116)</u>
Net Cash Provided by Operating Activities	<u>\$ 2,505</u>

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Trust Funds  
Statement of Financial Position  
December 31, 2010

		<u>Endowment Fund</u>
Assets		
Cash	\$	<u>3,104</u>
Total Assets	\$	3,104
Net Assets		
Permanently restricted	\$	<u>3,104</u>
Total Net Assets	\$	3,104

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Trust Funds  
Statement of Activities  
Year Ended December 31, 2010

	<u>Endowment Fund</u>
Revenue and Support	
Donations	\$ 1,120
Total Support and Revenue	<u>1,120</u>
Expenses	
Service Fee	<u>100</u>
Total Expenses	100
Increase in Net Assets	1,020
Net Assets Beginning of Year	<u>2,084</u>
Net Assets End of Year	<u>\$ 3,104</u>

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Building Fund  
Statement of Activities  
Year Ended December 31, 2010

		<u>Total 2010</u>
Revenue and Support		
Donations and grants	\$	12,200
Interest		<u>2,831</u>
Total Revenue and Support		15,031
Expenses		
Forfeited grant		10,000
Repairs		<u>3,303</u>
Total Expenses		13,303
Net Income		1,728
Other Sources		
Transfer out		(199,312)
Change in Net Assets		<u>(197,584)</u>
Net Assets Beginning of Year		412,932
Net Assets End of Year	\$	<u>215,348</u>

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Notes to Financial Statements  
December 31, 2010

NOTE (1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Humane Society of Pagosa Springs, Inc. is a nonprofit corporation whose primary objective is to protect and prevent cruelty and neglect of animals in Archuleta County, Colorado. The organization is primarily supported by contributions from the public and income from the thrift shop. This organization was started in 1984.

Significant accounting policies followed by the Society are presented below.

Basis of Accounting and Presentation - The Society reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. To ensure observance of limitation, restrictions and designations placed on the use of certain assets, the accounts of the Society are reported in the following self-balancing fund group:

Operating Fund - This fund represents the portion of expendable funds that is available for support of Society operations and all activities that are not accounted for in the endowment fund.

Building Fund - This fund represents those funds available for the construction of a new shelter facility.

Endowment Funds - Funds of which the only income can be spent.

Income Taxes - The Society is exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code.

Donated Services - No amounts have been reflected in the financial statement for donated services. The Society pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Association with specific assistance programs and various committee assignments.

Donated Material, Equipment and Investments - Donated materials are carried at no costs.

Fixed Assets and Depreciation - Property, plant and equipment additions in excess of \$250 are capitalized at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the related assets.

Accounting Estimates - The preparation of financial statements in conformity with generally accepted accounting policies requires management to make estimates and assumptions that affect certain reported amounts and disclosures. These amounts and

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.  
Notes to Financial Statements  
December 31, 2010

NOTE (1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

disclosures include estimates of the amounts receivable and collectible from wills and bequests, the fair value of real estate and other assets contributed, and the fair value of investments. Accordingly, actual results could differ from those estimates.

Restricted, Temporarily Restricted and Unrestricted Support and Revenue - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (i.e., when the purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Inventory - Most of the inventory the Society maintains is donated goods in the thrift shop, which are carried at no cost. There are some purchased goods for resale.

NOTE (2) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of:

	<u>Operating Fund</u>
Cash on Hand	\$ 201
Checking Accounts	47,958
State Farm Bank	<u>58,854</u>
	<u>\$ 107,013</u>

NOTE (3) PROPERTY, PLANT AND EQUIPMENT

Building and Land	\$ 1,853,855
Equipment	54,439
Less accumulated depreciation	<u>(241,366)</u>
	<u>\$ 1,666,928</u>

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

Notes to Financial Statements

December 31, 2010

NOTE (4) NOTE PAYABLE

On December 23, 2008, the Humane Society of Pagosa Springs, Inc. refinanced their two lines of credit with Citizens Bank with a new line of credit with Wells Fargo. This loan is payable in 360 monthly installments of \$3,373 including interest at 5%. Interest is fixed for 60 months.

Schedule of Payments

Year Ended December-31	<u>Principal</u>	<u>Interest</u>	<u>Remaining Balance</u>
2011	9,740	31,610	595,638
2012	10,265	31,085	585,418
2013	10,818	30,532	574,600
2014	11,402	29,949	563,198
2015	12,016	29,334	551,182
2016-2020	70,524	136,229	480,658
2021-2025	91,693	115,059	388,965
2026-2030	119,218	87,535	269,772
2031-2035	191,193	51,749	78,554
2036-2038	<u>78,554</u>	<u>9,527</u>	
	\$ 605,423	\$ 552,609	

NOTE (5) NEW SHELTER

The new shelter building was transferred from the building fund to the shelter fund in 2008. The amount was \$1,142,391. The outside shelter was transferred in 2010. The amount was \$199,312.

NOTE (6) PUBLIC SUPPORT

In 2010 the Society received \$89,458 of its Shelter fees from the Town of Pagosa Springs and Archuleta County, based on contracts for impound services that are renewed annually. Even though there is no assurance that these contracts will be renewed on an annual basis, they have been renewed annually for the past 16 years. Management of the Society firmly believes these contracts will be renewed.