

MONADNOCK HUMANE SOCIETY, INC.

FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

AND

AUDITOR'S REPORT

LYNN C. RUST, CPA PC
A CERTIFIED PUBLIC ACCOUNTING FIRM



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Monadnock Humane Society, Inc.

We have audited the accompanying statements of financial position of Monadnock Humane Society, Inc. (a New Hampshire not-for-profit corporation) as of June 30, 2010, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the Society's 2009 financial statements and, in our report dated August 6, 2009, we expressed an unqualified opinion on those statements.

We conducted our audits 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 Monadnock Humane Society, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

A handwritten signature in black ink that reads 'Lynn C. Rust CPA'.

October 26, 2010

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 60,736	\$ 26,275
Accounts receivable	10,357	2,970
Investments	13,863	10,180
Pledges receivable	25,000	25,000
Bequests receivable	348,777	424,777
Prepaid expenses	12,895	7,052
Inventory	57,629	62,300
Total current assets	<u>529,257</u>	<u>558,554</u>
Property and equipment, at cost, net of accumulated depreciation	2,094,614	2,194,940
Investments, long term	<u>1,828,560</u>	<u>2,056,893</u>
TOTAL ASSETS	<u>\$ 4,452,431</u>	<u>\$ 4,810,387</u>
LIABILITIES		
Accounts payable	\$ 48,871	\$ 48,854
Accrued payroll and related liabilities	48,655	38,263
Accrued expenses	11,050	10,694
Deferred income	4,721	1,239
Total current liabilities	<u>113,297</u>	<u>99,050</u>
NET ASSETS		
Unrestricted net assets	4,260,387	4,635,878
Temporarily restricted	43,714	40,426
Permanently restricted	35,033	35,033
TOTAL NET ASSETS	<u>4,339,134</u>	<u>4,711,337</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,452,431</u>	<u>\$ 4,810,387</u>

The accompanying notes to financial statements are an integral part of these statements.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
SUPPORT AND REVENUE					
Program service fees	\$ 464,397	\$ -	\$ -	\$ 464,397	\$ 412,345
Retail store sales	95,470	-	-	95,470	135,966
Contributions and fundraising	270,401	24,195	-	294,596	545,416
Investment income	40,819	-	-	40,819	64,711
Miscellaneous income	25,475	-	-	25,475	20,598
Gain on disposal of equipment	1,500	-	-	1,500	488
(Losses) on sales of investments	(49,516)	-	-	(49,516)	(56,603)
Unrealized gains (losses) on investments	297,047	-	-	297,047	(692,637)
Total support and revenue	<u>1,145,593</u>	<u>24,195</u>	<u>-</u>	<u>1,169,788</u>	<u>430,284</u>
NET ASSETS RELEASED FROM RESTRICTIONS	<u>20,907</u>	<u>(20,907)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL SUPPORT AND REVENUE	<u>1,166,500</u>	<u>3,288</u>	<u>-</u>	<u>1,169,788</u>	<u>430,284</u>
EXPENSES					
Program services	1,246,928	-	-	1,246,928	1,255,046
Management and general	138,291	-	-	138,291	229,942
Fundraising	156,772	-	-	156,772	168,544
Total expenses	<u>1,541,991</u>	<u>-</u>	<u>-</u>	<u>1,541,991</u>	<u>1,653,532</u>
CHANGE IN NET ASSETS	(375,491)	3,288	-	(372,203)	(1,223,248)
NET ASSETS, beginning of year	<u>4,635,878</u>	<u>40,426</u>	<u>35,033</u>	<u>4,711,337</u>	<u>5,934,585</u>
NET ASSETS, end of year	<u>\$ 4,260,387</u>	<u>\$ 43,714</u>	<u>\$ 35,033</u>	<u>\$ 4,339,134</u>	<u>\$ 4,711,337</u>

The accompanying notes to financial statements are an integral part of these statements.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR 2009)

	2010						2009	
	Program Services						Fundraising	Total
	Services/ Programs	Training Center	Boarding	Retail Store	Program Total	Management and General		
Accounting	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11,737	\$ -	\$ 11,737
Advertising	569	5,363	777	122	6,831	-	570	7,401
Bank charges	-	-	-	-	-	11,453	-	11,453
Computer expense	-	-	-	-	-	-	-	-
Conferences and education	900	-	-	-	900	1,883	443	3,226
Depreciation	92,472	30,824	21,577	4,624	149,497	3,082	1,541	154,120
Employee benefits	30,881	4,617	1,778	2,338	39,614	5,558	5,207	50,379
Fundraising	-	-	-	-	-	-	35,872	35,872
Insurance	21,247	7,083	4,958	1,062	34,350	708	354	35,412
Internet expense	1,142	381	266	57	1,846	38	19	1,903
Leased equipment	1,720	573	401	86	2,780	57	29	2,866
Membership expense	179	-	-	-	179	-	-	179
Newsletter	-	-	-	-	-	-	9,121	9,121
Office supplies	6,391	2,130	1,491	320	10,332	213	106	10,651
Payroll taxes	37,288	5,575	2,147	2,823	47,833	6,711	6,287	60,831
Postage	1,713	571	400	86	2,770	57	29	2,856
Professional Development	-	-	60	-	60	129	-	189
Professional fees	4,106	1,369	958	205	6,638	8,949	20,080	35,667
Program supplies	102,648	14,114	-	11,548	128,310	-	-	128,310
Property taxes	-	-	-	-	-	345	-	345
Rent	-	-	-	4,800	4,800	-	-	4,800
Repairs and maintenance	23,970	7,990	5,593	1,198	38,751	799	400	39,950
Salaries	450,614	67,375	25,948	34,120	578,057	81,105	75,981	735,143
Scholarships	-	-	-	-	-	4,000	-	4,000
Store expense	-	-	-	91,942	91,942	-	-	91,942
Telephone	4,013	1,337	936	201	6,487	134	67	6,688
Utilities	39,990	13,330	9,331	1,999	64,650	1,333	666	66,649
Vehicle expense	10,885	-	-	-	10,885	-	-	10,885
Veterinary care	19,416	-	-	-	19,416	-	-	19,416
	<u>\$ 850,144</u>	<u>\$ 162,632</u>	<u>\$ 76,621</u>	<u>\$ 157,531</u>	<u>\$ 1,246,928</u>	<u>\$ 138,291</u>	<u>\$ 156,772</u>	<u>\$ 1,541,991</u>
								<u>\$ 1,653,532</u>

The accompanying notes to financial statements are an integral part of these statements.

MONADNOCK HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (372,203)	\$ (1,223,248)
Adjustments to reconcile excess of support and revenue over expenses to net cash provided by operating activities:		
Depreciation	154,120	147,946
(Gain) on disposal of equipment	(1,500)	(488)
Losses on sales of investments	49,516	56,603
Unrealized (gains) losses on securities	(297,047)	692,637
Changes in operating accounts:		
Accounts receivable	(7,387)	(821)
Pledges receivable	-	25,000
Bequests receivable	76,000	(144,722)
Prepaid expenses	(5,843)	2,435
Inventory	4,671	(4,436)
Accounts payable	17	25,617
Accrued payroll and related liabilities	10,392	4,336
Accrued expenses	356	-
Deferred income	3,482	(4,659)
	<u>(385,426)</u>	<u>(423,800)</u>
Net cash used for operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	447,919	592,932
Proceeds on disposal of equipment	1,500	-
Increase (decrease) in investments	24,262	(105,552)
Capital expenditures	(53,794)	(76,053)
Net cash used for investing activities	<u>419,887</u>	<u>411,327</u>
NET INCREASE (DECREASE) IN CASH	34,461	(12,473)
CASH, beginning of year	<u>26,275</u>	<u>38,748</u>
CASH, end of year	<u>\$ 60,736</u>	<u>\$ 26,275</u>

The accompanying notes to financial statements are an integral part of these statements.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Monadnock Humane Society, Inc. (the Society) is a New Hampshire non-stock, not-for-profit corporation. Its primary purpose is to provide for the humane treatment of animals and to disseminate information to the general public for this purpose. The Society operates an animal shelter and a retail pet supply store.

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Society is required to report 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.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use. Short-term highly liquid investments with an original maturity of more than three months are classified as temporary investments.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to bad debts and a credit to the accounts receivable. At June 30, 2010 and 2009, no allowance for doubtful accounts was considered necessary.

Investments

Investments in equity and debt securities with readily determinable fair values are recorded at their fair values in the Statement of Financial Position. Investment income, realized gains and losses, and unrealized gains and losses are reported as an increase or decrease in unrestricted net assets unless otherwise stipulated by the donor or state law.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Expenditures for acquisitions, renewals and betterments are capitalized, whereas maintenance and repair costs are expensed as incurred. When equipment is retired or otherwise disposed of, the appropriate accounts are relieved of costs and accumulated depreciation and any resulting gain or loss is recognized. Donated equipment is recorded at fair value at the date of the donation. Purchased equipment is recorded at cost.

The Society charges to expenses annual amounts of depreciation, which allocate the cost of fixed assets over their estimated useful lives, using the straight-line method.

Inventory

Inventory consists of retail pet supplies and is stated at the lower of cost or market.

Contributions

The Society accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of any donor restrictions.

All 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 (that is, when a stipulated time restriction ends or 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.

Donated services

No amounts have been reflected in the financial statements 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 Society to fulfill its charitable mission.

Expense Allocation

The costs of providing program services, management and fundraising activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among program services, management and fundraising.

Advertising

The Society expenses the costs of advertising as incurred. Advertising expense was \$7,401 and \$9,780 for the years ended June 30, 2010 and 2009, respectively.

Shipping and handling

The Society expenses the costs of shipping and handling as incurred. Shipping and handling expense is included in program supplies at June 30, 2010 and 2009.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Tax Status

The Society is exempt from Federal and State income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Society qualifies for charitable contributions deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

The Society has established a retail store and boarding facilities. The net income generated from these operations is not tax exempt from federal income tax.

2. PLEDGES RECEIVABLE

Unconditional promises of donor contributions were \$25,000 at June 30, 2010 and 2009. All promises were current as of June 30, 2010 and 2009. The allowance for uncollectible pledges was \$0 as of June 30, 2010 and 2009.

3. BEQUESTS RECEIVABLE

The Society has received notice of unrestricted bequests totaling \$348,777 and \$424,777 at June 30, 2010 and 2009, respectively. The bequests are to be received when the associated estates and trusts have been settled.

4. POOLED INVESTMENTS

Investments held as current and long-term assets have been pooled. Under the pooling arrangement, individual securities are not held by type of investment assets, but rather each type of investment asset owns a proportionate interest in the entire pool.

Pooled investments are stated at fair value and consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Mutual funds - cash and cash equivalents	\$ 13,863	\$ 10,180
Mutual funds - equity securities	1,828,560	1,806,893
Treasury notes	<u>-</u>	<u>250,000</u>
	<u>\$ 1,842,423</u>	<u>\$ 2,067,073</u>
Investments - current	\$ 13,863	\$ 10,180
Investments - long term	<u>1,828,560</u>	<u>2,056,893</u>
	<u>\$ 1,842,423</u>	<u>\$ 2,067,073</u>

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

4. POOLED INVESTMENTS (continued)

Cash and cash equivalents included in pooled investments are not reflected as cash and cash equivalents for cash flow purposes.

The Society's investments include mutual funds managed by internationally recognized investment managers and are monitored by a committee of the board in accordance with the Society's investment policy.

Investment return is summarized as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 40,819	\$ 64,711
Realized gains (losses) on sales	(49,516)	(56,603)
Net unrealized gains (losses)	<u>297,047</u>	<u>(692,637)</u>
	<u>\$ 288,350</u>	<u>\$ (684,529)</u>

5. PROPERTY AND EQUIPMENT

The cost and accumulated depreciation of property and equipment at June 30:

	<u>2010</u>	<u>2009</u>
Land	\$ 60,879	\$ 60,879
Buildings and improvements	3,015,588	3,028,118
Leasehold improvements	13,161	-
Furniture and equipment	<u>467,532</u>	<u>419,373</u>
	<u>3,557,160</u>	<u>3,508,370</u>
Less: accumulated depreciation	<u>1,462,546</u>	<u>1,313,430</u>
	<u>\$ 2,094,614</u>	<u>\$ 2,194,940</u>

Depreciation expense was \$154,120 and \$147,946 for the years ended June 30, 2010 and 2009, respectively.

MONADNOCK HUMANE SOCIETY, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by the Society has been limited by donors to a specific time period or purpose. Temporarily restricted net assets consisted of the following at June 30:

	<u>2010</u>	<u>2009</u>
Bell Scholarship for qualified veterinary student tuition	\$ 22,194	\$ 25,499
In-house veterinary clinic	6,319	2,538
Canine transports	5,811	6,689
Disaster relief	5,305	5,700
Public spay/neuter clinics	<u>4,085</u>	<u>-</u>
	<u>43,714</u>	<u>40,426</u>

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets have been restricted by donors to be maintained by the Society in perpetuity, the income from which may be used for operating purposes.

8. OPERATING LEASE

In May 2010, the Society opened a satellite office in Peterborough, New Hampshire that includes retail and adoption space. The Society rents the space under a month to month lease. Rent expense was \$4,800 and \$0 for the years ended June 30, 2010 and 2009, respectively.

9. EMPLOYEE BENEFIT PLAN

The Society has a 403(b) tax shelter annuity plan, covering all employees who meet the time and age requirements. Under the plan, employees are able to make elective deferrals of up to the annual maximum allowed by the IRS, under a salary reduction agreement. The Society does not make any matching contributions.

10. SUBSEQUENT EVENTS

The Society did not have any subsequent events through October 26, 2010, which is the date the financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended June 30, 2010.