

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2013

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

Board of Directors
Humane Society of Pulaski County
Little Rock, Arkansas

We have audited the accompanying statement of financial position of the Humane Society of Pulaski County (a non-profit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Board of Directors
Humane Society of Pulaski County
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Pulaski County as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Cobb and Suskie, Ltd.

Certified Public Accountants
May 19, 2014

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	934,873
Marketable Equity Securities		85,942
Accounts Receivable		75
Total Current Assets		1,020,890

RESTRICTED ASSETS

Cash		34,422
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PROPERTY AND EQUIPMENT

Land		17,000
Building		1,679,507
Furniture, Fixtures and Equipment		311,643
Vehicles		194,374
		2,202,524
Less Accumulated Depreciation		859,623
Net Property and Equipment		1,342,901

OTHER ASSETS

	9,245
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Total Assets	\$	2,407,458
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	16,826
Total Current Liabilities		16,826

NET ASSETS

Unrestricted		2,356,210
Temporarily Restricted		34,422
Total Net Assets		2,390,632

Total Liabilities and Net Assets	\$	2,407,458
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The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions and Public Support	\$ 452,376	\$ -	\$ 452,376
Program Services	171,393	-	171,393
Special Events and Activities	242,081	-	242,081
Other Income	3,644	-	3,644
Total Revenue	<u>869,494</u>	<u>-</u>	<u>869,494</u>
 <u>EXPENSES</u>			
Program Services	1,155,872	-	1,155,872
Management and General	138,790	-	138,790
Fundraising	49,733	-	49,733
Total Expenses	<u>1,344,395</u>	<u>-</u>	<u>1,344,395</u>
 Support and Revenue Over (Under) Expenses	 <u>(474,901)</u>	 <u>-</u>	 <u>(474,901)</u>
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	5,528	71	5,599
Estate Bequests	307,118	168	307,286
Unrealized Gain (Loss) on Investments	4,934	-	4,934
Transfer	470	(470)	-
Total Other Increases (Decreases)	<u>318,050</u>	<u>(231)</u>	<u>317,819</u>
 INCREASE (DECREASE) IN NET ASSETS	 (156,851)	 (231)	 (157,082)
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,513,061</u>	 <u>34,653</u>	 <u>2,547,714</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,356,210</u>	 <u>\$ 34,422</u>	 <u>\$ 2,390,632</u>

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

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

OPERATIONS:

Increase (Decrease) in Net Assets	\$	(157,082)
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		110,485
Unrealized (Gain) Loss on Investments		(4,934)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable		9,925
(Increase) Decrease in Other Assets		(498)
Increase (Decrease) in Accounts Payable		(4,138)
Net Change Inflows (Outflows) from Operations		(46,242)

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		32,498
Purchase of Property		(75,742)
Net Investing Inflows (Outflows)		(43,244)

FINANCING ACTIVITIES:

Inflows (Outflows)		
Net Financing Inflows (Outflows)		-
Increase (Decrease) in Cash and Cash Equivalents		(89,486)
Beginning Cash and Cash Equivalents		1,058,781
Ending Cash and Cash Equivalents	\$	969,295

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for Interest	\$	-
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The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank Charges	\$ -	\$ 8,586	\$ -	\$ 8,586
Depreciation	110,485	-	-	110,485
Dues and Subscriptions	-	135	-	135
Employment/Staff Expense	3,108	-	-	3,108
Fundraising Costs	-	-	49,733	49,733
Grant Expense	-	2,180	-	2,180
Insurance	37,643	-	-	37,643
Legal	-	14,257	-	14,257
Memberships	3,069	-	-	3,069
Newsletter	12,281	-	-	12,281
Office Equipment and Supplies	432	-	-	432
Postage and Printing	1,443	361	-	1,804
Professional Fees	-	66,909	-	66,909
Repair and Maintenance	31,463	-	-	31,463
Salaries	582,041	-	-	582,041
Shelter	183,004	45,751	-	228,755
Taxes	55,378	-	-	55,378
Telephone and Utilities	54,638	-	-	54,638
Vehicle Expense	2,444	611	-	3,055
Veterinarian Services	78,443	-	-	78,443
	<u>\$ 1,155,872</u>	<u>\$ 138,790</u>	<u>\$ 49,733</u>	<u>\$ 1,344,395</u>

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

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) Organization and Funding
The Humane Society of Pulaski County (the Society) was chartered in 1946 as a non-profit association for the purpose of providing temporary refuge for homeless, injured, abandoned and abused animals and to place such animals in new homes with responsible and caring owners. The Society is economically dependent upon contributions, including estate bequests, from the general public for the majority of its support and revenue.
- (b) Accounting Method
The statements were prepared on the accrual basis and, accordingly, include items not resulting from an outlay or a receipt of cash.
- (c) Basis of Presentation
The statements were prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) for nonprofit organizations included in the Financial Accounting Standards Codifications (FASB ASC).
- (d) Cash Equivalents
The Humane Society of Pulaski County considers all short-term investments with maturities at acquisition of three months or less to be cash equivalents. Total cash of \$969,295 at December 31, 2013 consists of \$934,873 in unrestricted cash and \$34,422 in restricted cash.
- (e) Investments
As required by GAAP for nonprofit organizations, the Humane Society of Pulaski County carries investments in marketable securities with readily determinable fair values and all investments in debt securities consisting of corporate debentures and certificates of deposit at their fair values in the statement of financial position. Unrealized gains and losses are included as other changes in net assets in the accompanying statement of activities.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Equipment and Depreciation

Property and equipment purchased by the Society for use in conducting program activities is stated at cost. Property and equipment are depreciated utilizing the straight-line method over the estimated useful lives of the assets as follows:

Building	25 years
Furniture, Fixtures and Equipment	5-7 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2013 amounted to \$110,485.

(g) Functional Expenses

The Society allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification.

(h) Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and is classified as other than a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Society and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2013. All tax returns from 2010 forward are open and subject to examination.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Donated Services

Donated veterinarian services of \$39,994 have been reported as revenue and are included in total contributions and public support of \$452,376 in the accompanying financial statements. Volunteer services have not been reported as no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time in the Society's program services and fund raising activities.

(j) Fair Value Measurements

The Humane Society of Pulaski County determines the fair values of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis based on a fair value hierarchy of three levels of inputs that may be used to measure fair value, which are as follows:

- Level 1 Quoted prices in active markets for identical assets. Level 1 assets include equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed debt securities and corporate debt securities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Basis 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.

NOTE 2: INVESTMENTS

Investments as of December 31, 2013 consist of marketable equity securities. These investments were originally booked at cost, or, if donated, at their fair value as of the date of donation. The following summarizes the relationship between the original basis and fair value of investments at December 31, 2013:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ <u>81,008</u>	\$ <u>85,942</u>	\$ <u>4,934</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013.

	<u>Unrestricted</u>
Investment Income	\$ 5,599
Unrealized Gains (Losses)	<u>4,934</u>
Total Investment Return	<u>\$ 10,533</u>

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2013 temporarily restricted net assets of \$34,422 consisted of a bequest in the original amount of \$172,847, established in 2011. Income from the invested assets of the fund is reported as increases in unrestricted net assets. These net assets are restricted to buying a mobile adoption unit.

NOTE 4: CONCENTRATIONS

Cash on deposit in demand and time deposit accounts at four financial institutions as of December 31, 2013 amounted to \$969,295 per books and \$964,308 per financial institutions. Deposits at one of these financial institutions were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized by U.S. Government securities as follows:

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 4: CONCENTRATIONS (CONTINUED)

Cash on deposit	\$	<u>964,308</u>
Applicable FDIC/SIPC Limits		406,460
U.S. Government Securities Pledged as Collateral		<u>535,219</u>
Total Cash Deposits Insured and Collateralized		<u>941,679</u>
Uninsured Deposits	\$	<u><u>22,629</u></u>

Management monitors these balances.

NOTE 5: FAIR VALUE DISCLOSURES

As discussed in Note 1, the Society defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information, refer to Note 1, "*Summary of Significant Accounting Policies.*"

The following table reflects assets that are measured and carried at fair value on a recurring basis as of December 31, 2013.

	<u>Fair Value Measurements Using</u>			<u>Assets At Fair Value</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Marketable Equity Securities	\$ 85,942	-	-	\$ 85,942
Total	<u>\$ 85,942</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,942</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2013.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

NOTE 6: LITIGATION

The Society was a defendant in a civil lawsuit filed December 12, 2012 in which an individual alleged wrongful seizure of animals. The plaintiff sought damages of \$117,000 from the Society, along with recovery of attorney fees and other costs, as well as return of property. The civil case was stayed by the Lonoke County Circuit Court pending resolution of a criminal case filed by the State of Arkansas which charged the individual with animal abuse. The entire matter was subsequently appealed to the Arkansas Court of Appeals and subsequently transferred to the Supreme Court of Arkansas, which in its opinion of May 14, 2014, affirmed in part the decision of the Circuit Court; and the civil lawsuit has yet to be resolved.

Management cannot predict the outcome of this litigation or estimate the amount of any loss as a result. Accordingly, no provision for any contingent liabilities that may result from this litigation has been made in the accompanying financial statements.

NOTE 7: SUBSEQUENT EVENTS

Except as discussed in the preceding footnote, the Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2013, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through May 19, 2014, the date the financial statements were available to be issued.