

**THE HUMANE SOCIETY OF GREATER
KANSAS CITY, INC.**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT**

Year Ended December 31, 2009

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
December 31, 2009

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EMERICK & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
The Humane Society of Greater Kansas City, Inc.
Kansas City, KS

We have audited the accompanying statements of financial position of The Humane Society of Greater Kansas City, Inc. (a not-for-profit organization) as of December 31, 2009, and the related statements of activities, 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.

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 audits 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 The Humane Society of Greater Kansas City, Inc. as of December 31, 2009, and the changes in its net assets and cash flows for the year then ended in conformity with generally accepted accounting principles in the United States of America.

Emerick + Company, P.C.

June 4, 2010
Kansas City, MO

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

Current Assets:

| | |
|---|------------|
| Cash | \$ 176,204 |
| Accounts receivable, net of allowance of \$34,494 | 16,506 |
| Inventory | 43,171 |
| Prepaid expense | 20,648 |
| Total Current Assets | 256,529 |

Noncurrent Assets:

| | |
|--|-----------|
| Other assets | 425 |
| Property and equipment, net of accumulated depreciation of \$472,771 | 1,441,649 |
| Total Noncurrent Assets | 1,442,074 |

| | |
|---------------------|---------------------|
| TOTAL ASSETS | \$ 1,698,603 |
|---------------------|---------------------|

LIABILITIES AND NET ASSETS

Liabilities:

| | |
|-------------------------------------|-----------|
| Current maturities of notes payable | \$ 10,561 |
| Accounts payable | 85,742 |
| Accrued expenses | 51,710 |
| Total Current Liabilities | 148,013 |

| | |
|--------------------------|---------|
| Notes payable, long-term | 155,912 |
| Total Liabilities | 303,925 |

Net Assets:

| | |
|--------------|-----------|
| Unrestricted | 1,394,678 |
|--------------|-----------|

| | |
|---|---------------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ 1,698,603 |
|---|---------------------|

See notes to financial statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

UNRESTRICTED NET ASSETS

SUPPORT:

| | | |
|----------------------------------|-----------------|--------------------|
| Contributions and honorariums | \$ | 350,630 |
| Legacies and bequests | | 173,415 |
| Grants | | 102,312 |
| Special event revenue | \$ 360,072 | |
| Less direct costs | <u>(89,678)</u> | |
| Net revenues from special events | | <u>270,394</u> |
| Total Support | | <u>896,751</u> |

REVENUE:

| | |
|---|----------------------|
| Clinic and shelter fees | 753,493 |
| Membership and adoption | 23,887 |
| Interest income | 441 |
| Miscellaneous | <u>5,531</u> |
| Total Revenue | <u>783,352</u> |
| Total Unrestricted Support and Revenue | 1,680,103 |

EXPENSES:

| | |
|------------------------------------|----------------------|
| Program expenses: | |
| Clinic | 865,232 |
| Shelter | 522,369 |
| Education | <u>1,208</u> |
| Total Program Expenses | <u>1,388,809</u> |
| Supporting services expenses: | |
| Management and general | 151,553 |
| Fundraising | <u>128,032</u> |
| Total Supporting Services Expenses | <u>279,585</u> |
| Total Expenses | <u>1,668,394</u> |

TOTAL INCREASE IN NET ASSETS

11,709

NET ASSETS, Beginning of year

1,382,969

NET ASSETS, End of year

\$ 1,394,678

See Notes to Financial Statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2009

| | Program Services | | | | Supporting Services | | | Total Expenses |
|-----------------------------|-------------------|-------------------|-----------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | Clinic | Shelter | Education | Total | Management and General | Fund Raising | Total | |
| Salaries and wages | \$ 394,046 | \$ 177,565 | \$ 133 | \$ 571,744 | \$ 74,317 | \$ 92,566 | \$ 166,883 | \$ 738,627 |
| Payroll taxes | 30,991 | 13,965 | - | 44,956 | 5,855 | 7,280 | 13,135 | 58,091 |
| Employee benefits | 53,412 | 24,069 | - | 77,481 | 10,092 | 12,547 | 22,639 | 100,120 |
| Advertising and promotion | 7,605 | 4,585 | - | 12,190 | - | - | - | 12,190 |
| Repairs and maintenance | 7,016 | 13,030 | - | 20,046 | 2,173 | 465 | 2,638 | 22,684 |
| Insurance | 11,103 | 5,860 | - | 16,963 | 3,832 | 1,413 | 5,245 | 22,208 |
| Interest | 8,031 | 4,144 | - | 12,175 | - | - | - | 12,175 |
| Veterinarian supplies | 288,190 | 229,804 | - | 517,994 | - | - | - | 517,994 |
| Printing and postage | - | - | 450 | 450 | 2,592 | 2,592 | 5,184 | 5,634 |
| Newsletter | 3,276 | 3,276 | 200 | 6,752 | 3,176 | 3,177 | 6,353 | 13,105 |
| Office expense | 1,575 | 630 | 75 | 2,280 | 2,010 | 2,011 | 4,021 | 6,301 |
| Bank charges | 10,453 | - | - | 10,453 | 6,968 | - | 6,968 | 17,421 |
| Professional fees | - | - | - | - | 20,960 | - | 20,960 | 20,960 |
| Telephone and utilities | 14,146 | 25,492 | 200 | 39,838 | 9,571 | 4,825 | 14,396 | 54,234 |
| Travel and related expenses | 1,734 | 1,734 | 150 | 3,618 | 6,786 | 1,156.00 | 7,942 | 11,560 |
| Other | 6,044 | 165 | - | 6,209 | 745 | - | 745 | 6,954 |
| Depreciation | 27,610 | 18,050 | - | 45,660 | 2,476 | - | 2,476 | 48,136 |
| Total Expenses | \$ 865,232 | \$ 522,369 | \$ 1,208 | \$ 1,388,809 | \$ 151,553 | \$ 128,032 | \$ 279,585 | \$ 1,668,394 |

See notes to financial statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:

| | |
|---|-----------------|
| Change in net assets | \$ 11,709 |
| Items not requiring (providing) cash: | |
| Depreciation expense | 48,136 |
| Changes in: | |
| Accounts receivable | (4,186) |
| Inventory | (6,098) |
| Prepaid expenses and other assets | (11,149) |
| Accounts payable | 19,618 |
| Accrued expenses | <u>(15,282)</u> |
| Net cash provided by operating activities | <u>42,748</u> |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | |
|---|---------------|
| Property and equipment purchased | (4,458) |
| Sale of certificate of deposit | <u>25,000</u> |
| Net cash provided by investing activities | <u>20,542</u> |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | |
|---------------------------------------|----------------|
| Payments on outstanding debt | <u>(9,474)</u> |
| Net cash used by financing activities | <u>(9,474)</u> |

| | |
|--|--------------------------|
| Net increase in cash and cash equivalents | 53,816 |
| CASH AND CASH EQUIVALENTS - DECEMBER 31, 2008 | <u>122,388</u> |
| CASH AND CASH EQUIVALENTS - DECEMBER 31, 2009 | <u><u>\$ 176,204</u></u> |

| | |
|------------------------|-------------------------|
| Cash paid for interest | <u><u>\$ 12,175</u></u> |
|------------------------|-------------------------|

See notes to financial statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Humane Society of Greater Kansas City, Inc. (the Society) is a nonprofit organization whose mission is to promote the welfare of dogs and cats throughout the greater Kansas City area by providing education, preventive veterinary care, adoptions and spay and neuter services to prevent over population. The Humane Society operates a preventative veterinary clinic, adoption shelter, humane education program and development department, which organizes fund raisers, in order to provide the aforementioned services.

Financial Statement Presentation

The Society has adopted the reporting format set forth in the Financial Accounting Standards Board Codification No. ASC 958. Under this Standard, the financial statements are reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets have donor-imposed restrictions that have not been met. When a donor restriction expires, that is, when a stipulated time restriction ends or 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.

Basis of Accounting

The financial records of the Society are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Society considers all cash accounts, money markets, and certificates of deposits less than three months to be cash and cash equivalents.

Property and Equipment

Property and equipment costing over \$200 with a useful life of over 4 years are capitalized and depreciation is provided over the estimated useful lives of the assets ranging from five to 40 years, using the straight-line method of depreciation. Donated property and equipment are reflected as contributions in the accompanying statements at their estimated market value at date of receipt.

Contributed Services

The Society recognizes donated services that create or enhance nonfinancial assets or that requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2009

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services (continued)

Unpaid volunteers make significant contributions of their time to the Society's program and fund-raising activities. The value of this contributed time, which does not meet the criteria outlined above, is not reflected in these statements. Because recognition of contributed services as revenue would also involve recognition of corresponding expenses, there would be no effect on net assets.

Accounts Receivable

Included in accounts receivable are unpaid charges for clinic services. Receivables deemed uncollectible are written off annually.

Income Taxes

The Society was incorporated under the laws of the State of Kansas as a not-for-profit corporation. The Society is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code, and accordingly, no provision for income taxes is provided. In addition, the Society has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Society is exposed to various risks of loss from torts, theft of, damage and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Functional Expenses

The Society allocates expenses into their proper functional classification of clinic, shelter, education, general and administrative or fund-raising expense based upon the nature of the expense as being either a program service or a support service.

Inventory

Inventories, consisting principally of preventative medicines, food and other supplies for the clinic and shelter, are stated at the lower of cost or market. Cost is determined by the average cost method.

Subsequent Events

Subsequent events have been evaluated through May 17, 2010, which is the date the financial statements were available to be issued.

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 2009

NOTE 2: PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

| | |
|-------------------------------|--------------------|
| Equipment | \$ 78,584 |
| Buildings | 1,685,199 |
| Land | <u>150,637</u> |
| | 1,914,420 |
| Less accumulated depreciation | <u>472,771</u> |
| Total | <u>\$1,441,649</u> |

NOTE 3: ACCRUED EXPENSES

Accrued expenses as of December 31, 2009 consisted of the following:

| | |
|-----------------------|------------------|
| Accrued payroll, etc. | \$ 11,948 |
| Accrued vacation | 38,879 |
| Accrued payroll taxes | <u>883</u> |
| Total | \$ <u>51,710</u> |

NOTE 4: NOTES PAYABLE

In 2005, the Society refinanced the remaining balance on the 2000 construction loan for its new building and borrowed an additional \$51,000 to meet current obligations. The loan is secured by a mortgage on the real estate and is to be repaid over 180 months with interest at 6.875% and monthly payments of \$1,804. Future payments on principal are as follows:

| | |
|------------|---------|
| 2010 | 10,561 |
| 2011 | 11,308 |
| 2012 | 12,205 |
| 2013 | 13,102 |
| 2014 | 13,045 |
| Thereafter | 106,252 |