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HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2008

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

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, 2008, 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, 2008, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

Michael C. Branch
Certified Public Accountant
March 16, 2009

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Statement of Financial position
December 31, 2008

	Humane Society		Building Fund		Endowment Fund		Total
Assets							
Cash	\$ 129,738	\$	88,804	\$	2,131	\$	220,673
Receivables	2,109		4,945				7,054
Inventory	14,205						14,205
Fixed assets (net)	1,491,725		11,722				1,503,447
Total Assets	\$ 1,637,777	\$	105,471	\$	2,131	\$	1,745,379
 Liabilities and Net Assets							
Liabilities							
Accounts and taxes payable	\$ 19,953	\$	13,358	\$		\$	33,311
Accrued payroll and vacation	11,879						11,879
Note payable	623,220						623,220
Total Liabilities	655,052		13,358				668,410
 Net Assets							
Unrestricted	982,725						982,725
Temporarily restricted			92,113				92,113
Permanently restricted					2,131		2,131
Total Net Assets	982,725		92,113		2,131		1,076,969
Total Liabilities and Net Assets	\$ 1,637,777	\$	105,471	\$	2,131	\$	1,745,379

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Statement of Activities
Year Ended December 31, 2008

	Fund Raising	Administration	Shelter	Thrift Shop	Total 2008
Revenue and Support					
Donations	\$	\$ 67,610	\$ 663	\$	\$ 68,273
Shelter fees			123,110		123,110
Interest		2,472	169		2,641
Fund raising	49,166				49,166
Product sales	180	14,694	1,447	394,095	410,416
Total Support and Revenue	49,346	84,776	125,389	394,095	653,606
Expenses					
Program - Kennel			328,601		328,601
Depreciation			29,024	12,711	41,735
Thrift Shop				249,631	249,631
Administrative		52,587			52,587
Fund raising	29,817				29,817
Cost of Goods Sold		14,713	870	38,857	54,440
Total Expenses	29,817	67,300	358,495	301,199	756,811
Net Income	19,529	17,476	(233,106)	92,896	(103,205)
Other Sources					
Transfers In			1,142,391		1,142,391
Transfers Out				(443,797)	(443,797)
Increase in Net Assets	19,529	17,476	909,285	(350,901)	595,389
Net Assets Beginning Year					387,336
Net Assets End of Year				\$	982,725

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Statement of Functional Expenses
Year Ended December 31, 2008

	Fund Raising	Administration	Shelter	Thrift Shop	Totals 2008
Salaries and payroll taxes	\$ 5,255	\$ 27,249	\$ 168,635	\$ 147,347	\$ 348,486
Operation	6,943	14,276	120,874	83,607	225,700
Utilities			14,379	18,359	32,738
Marketing	237	11,062	320	318	11,937
Fund raising	17,382				17,382
Program			24,393		24,393
Depreciation			29,024	12,711	41,735
Cost of goods sold		14,713	870	38,857	54,440
Total	\$ 29,817	\$ 67,300	\$ 358,495	\$ 301,199	\$ 756,811

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.

Statement of Cash Flows

Year Ended December 31, 2008

Cash Flows From Operating Activities	
Cash received from program revenue	\$ 545,820
Cash received from contributions	117,439
Cash from other activities	5,772
Cash paid for supplies and services	(719,712)
Net Cash Provided by Operating Activities	(50,681)
Cash Flow From Financing Activities	
Net change in long term debt	145,484
Net Cash Used in financing Activities	145,484
Cash Flow From Capital Activities	
Purchase of fixed assets	(171,648)
Net Cash Used in Capital Activities	(171,648)
Net Decrease In Cash	(76,845)
Cash, Beginning of year	295,488
Cash, End of Year	\$ 218,643
Reconciliation of Excess of Support and Revenue Over Expenses to Net Cash Provided by Operating Activities:	
Increase in Net Assets	\$ (122,688)
Adjustments to Reconcile Excess of Support and Revenue Over Expenses to Net Cash Provided by Operating Activities:	
Depreciation	41,735
Increase in payables	3,421
Decrease in receivables	12,294
Decrease in inventory	14,557
Net Cash Provided by Operating Activities	\$ (50,681)

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Trust Funds
Statement of Financial Position
December 31, 2008

		Endowment Fund
Assets		
Cash	\$	2,131
Total Assets		2,131
Net Assets		
Permanently restricted		2,131
Total Net Assets	\$	2,131

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Trust Funds
Statement of Activities
Year Ended December 31, 2008

		Endowment Fund
Revenue and Support		
Interest	\$	47
Total Support and Revenue		47
Expenses		
Service Fee		50
Total Expenses		50
Decrease in Net Assets		(3)
Net Assets Beginning of Year		2,134
Net Assets End of Year	\$	2,131

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS
 Building Fund
 Statement of Activities
 Year Ended December 31, 2008

	Total 2008
Revenue and Support	
Donations	\$ 67,997
Grants	11,500
Interest	3,084
Fund raising	9,168
Total Revenue and Support	91,749
 Expenses	
Marketing	1,026
Interest	24,159
Fundraising	3,560
Office	1,460
Taxes	2,433
Bank Fees	12,311
Repairs	4,216
Total Expenses	49,165
 Net Income	 42,584
 Other Sources	
Transfer in	443,797
Transfer out	(1,142,391)
 Change in Net Assets	 (656,010)
 Net Assets Beginning of Year	 748,123
 Net Assets End of Year	 \$ 92,113

See accompanying notes

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Notes to Financial Statements
December 31, 2008

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, 2008

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 consist of:

	<u>Operating Fund</u>
Cash on Hand	\$ 2,191
Checking Accounts	25,902
Savings	103,391
State Farm Bank	<u>87,150</u>
	<u>\$ 218,634</u>

NOTE (3) PROPERTY, PLANT AND EQUIPMENT

Building and Land	\$ 1,601,588
Equipment	54,439
Less accumulated depreciation	<u>(152,580)</u>
	<u>\$ 1,503,447</u>

HUMANE SOCIETY OF PAGOSA SPRINGS, INC.
Notes to Financial Statements
December 31, 2008

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 5.25%. Interest is fixed for 60 months.

Schedule of Payments

		<u>Principal</u>		<u>Interest</u>		<u>Remaining Balance</u>
2009	\$	7,873	\$	32,603	\$	615,347
2010		8,298		32,178		607,049
2011		8,745		31,731		598,304
2012		9,216		31,260		589,088
2013		9,713		30,763		579,375
2014-2018		57,007		145,373		522,368
2019-2023		74,119		128,261		448,249
2024-2028		96,368		106,012		351,881
2029-2033		125,295		77,085		226,586
2034-2038		<u>226,586</u>		<u>39,474</u>		
		\$ 623,220		\$ 654,740		

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

NOTE (6) PUBLIC SUPPORT

In 2008 the Society received 79% 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 and the level of support has increased each year. Management of the Society firmly believes these contracts will be renewed.