

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2009**

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**Barnes, Brock, Cornwell & Heilman, PLC**  
*Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Peninsula Society for the Prevention of  
Cruelty to Animals, Inc.  
Newport News, Virginia

We have audited the accompanying statement of financial position of Peninsula Society for the Prevention of Cruelty to Animals, Inc. (a nonprofit organization) as of June 30, 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 Organization'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 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 Peninsula Society for the Prevention of Cruelty to Animals, Inc. as of June 30, 2009, and the change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Barnes, Brock, Cornwell & Heilman PLC*

October 30, 2009

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**STATEMENT OF FINANCIAL POSITION  
June 30, 2009**

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ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 515,774
Accounts receivable	1,425
Investment, at fair value	2,336
Prepaid expenses	<u>13,762</u>

Total current assets \$ 533,297

Property and Equipment:

Furniture and fixtures	\$ 59,768
Computer equipment	21,020
Equipment	18,361
Vehicles	47,695
Leasehold improvements	506,782
Buildings and cages	1,072,660
Land	33,350
Less accumulated depreciation	<u>(668,652)</u>

Net property and equipment \$ 1,090,984

Total assets \$ 1,624,281

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Current portion of long term liability	\$ 45,000
Accounts payable	12,837
Accrued expenses	<u>51,177</u>

Total current liabilities \$ 109,014

LONG-TERM LIABILITY:

Mortgage payable, net of current portion	<u>\$ 123,963</u>
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Total liabilities \$ 232,977

NET ASSETS:

Unrestricted	\$ 1,347,191
Temporarily restricted	<u>44,113</u>

Total net assets \$ 1,391,304

Total liabilities and net assets \$ 1,624,281

See Accompanying Notes to Financial Statements

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT:</b>			
Public support	\$ 149,214	\$ 46,466	\$ 195,680
Municipality support	961,713	-	961,713
Operations	406,444	-	406,444
Fund raising, net of expenses	133,057	-	133,057
Interest and dividend income	10,255	-	10,255
Loss on sale of property and equipment	(237)	-	(237)
Unrealized loss on investment	(2,868)	-	(2,868)
Net assets released from restrictions	9,819	(9,819)	-
<b>Total revenue and support</b>	<b>\$ 1,667,397</b>	<b>\$ 36,647</b>	<b>\$ 1,704,044</b>
<b>EXPENSES:</b>			
Program services	\$ 1,552,392	\$ -	\$ 1,552,392
Fund raising	76,039	-	76,039
Management and general	137,157	-	137,157
<b>Total expenses</b>	<b>\$ 1,765,588</b>	<b>\$ -</b>	<b>\$ 1,765,588</b>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (98,191)</b>	<b>\$ 36,647</b>	<b>\$ (61,544)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,445,382</b>	<b>7,466</b>	<b>1,452,848</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,347,191</b>	<b>\$ 44,113</b>	<b>\$ 1,391,304</b>

See Accompanying Notes to Financial Statements

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2009**

	Program Services	Fund Raising	Management and General	Total
Salaries and related taxes	\$ 850,737	\$ 48,893	\$ 78,229	\$ 977,859
Employee benefits	92,980	5,344	8,550	106,874
<b>Total salaries and related expenses</b>	<b>\$ 943,717</b>	<b>\$ 54,237</b>	<b>\$ 86,779</b>	<b>\$ 1,084,733</b>
Adoption	53,588	-	-	53,588
Advertising	20,017	6,673	-	26,690
Automobile	4,584	573	573	5,730
Bank charges	-	-	8,540	8,540
Cremation agreement	24,006	-	-	24,006
Custodial services	5,885	-	1,039	6,924
Depreciation	85,048	1,772	1,772	88,592
Dues and subscriptions	319	56	-	375
Insurance	29,354	-	1,545	30,899
Interest	8,241	-	-	8,241
Miscellaneous	7,756	1,193	2,983	11,932
Office	15,734	7,867	2,622	26,223
Other program expenses	46,219	-	-	46,219
Outside services	3,978	-	-	3,978
Payroll services	4,362	-	485	4,847
Petting zoo	13,310	-	-	13,310
Professional fees	-	-	26,218	26,218
Recruitment and testing	2,866	-	-	2,866
Repairs and maintenance	40,083	-	-	40,083
Shelter expense	54,748	-	-	54,748
Spay/neuter clinic	132,988	-	-	132,988
Taxes and licenses	1,059	-	-	1,059
Telephone and internet	4,114	1,714	1,028	6,856
Trash removal	7,839	-	871	8,710
Travel and training	2,755	1,148	688	4,591
Uniforms	2,360	-	-	2,360
Utilities	37,462	806	2,014	40,282
<b>Total expenses</b>	<b>\$ 1,552,392</b>	<b>\$ 76,039</b>	<b>\$ 137,157</b>	<b>\$ 1,765,588</b>

See Accompanying Notes to Financial Statements

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

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<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Change in net assets	\$ (61,544)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	88,592
Loss on sale of property and equipment	237
Unrealized loss on investment	2,868
(Increase) decrease in assets:	
Accounts receivable	36,504
Prepaid expenses	(2,111)
Inventory	2,997
Increase(decrease) in liabilities:	
Accounts payable	(34,091)
Accrued expenses	12,083
	<u>12,083</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 45,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Proceeds from sale of property and equipment	\$ 20,000
Purchase of property and equipment	(20,705)
	<u>(20,705)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<u>\$ (705)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>	
Repayment of mortgage payable	\$ (50,588)
	<u>(50,588)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<u>\$ (5,758)</u>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>521,532</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u><u>\$ 515,774</u></u>

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**ORGANIZATION:**

The Peninsula Society for the Prevention of Cruelty to Animals, Inc., ("the Organization") a Virginia Corporation trading as Peninsula SPCA, was organized September, 1976 to advocate and provide for the humane care and welfare of animals. The Peninsula SPCA is committed to finding a good home for every adoptable pet on the Virginia Peninsula.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

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 Statement of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization 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. In addition, the Organization is required to present a statement of cash flows.

Recognition of Restrictions on Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same 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.

Contributions

The Organization recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

All contributions are considered to be available for unrestricted use in the period received unless specifically restricted by the donor or board. Amounts received that are designated for future periods or restricted by the donor or board for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization, considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains amounts in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Property and Equipment

Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 3 to 40 years. Gains and losses arising from retirements or dispositions are recognized currently.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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See Independent Auditor's Report

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

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.

Advertising Costs

The Organization expenses the cost of advertising when incurred. Advertising costs amounted to \$26,690 for the year ended June 30, 2009.

**CONCENTRATION OF RISK:**

The Organization places its cash and cash equivalents on deposit with financial institutions in the United States. In November 2008, the Federal Deposit Insurance Corporation (FDIC) temporarily increased coverage to \$250,000 for substantially all depository accounts. The increased coverage is scheduled to expire on December 31, 2013, at which time it is anticipated amounts insured by the FDIC will return to \$100,000. The Organization maintains cash balances found in commercial banks in excess of amounts insured by the federal government.

The Organization receives the majority of its support from four area municipalities.

**MORTGAGE PAYABLE:**

Industrial Development Authority of City of Newport News Revenue Bond, 120 monthly principal payments of \$3,750 plus accrued interest at fixed rate of 4.4%. Bond is due and payable October 2013. Secured by promissory note and deed of trust.

	\$ 168,963
Less-current portion	45,000
Net long-term liability	\$ 123,963

Current maturities of long-term liability are as follows:

For the year ended June 30,	
2010	\$ 45,000
2011	45,000
2012	33,963
	\$ 123,963

Interest paid for the year ended June 30, 2009 was \$8,241.

**OPERATING LEASES:**

The Organization leases several pieces of equipment under operating leases. The terms of the leases are for three to five years.

Future minimum lease payments under all operating leases are as follows:

For the year ended June 30,	
2010	\$ 4,056
2011	2,005
2012	2,005
2013	1,504

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**NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2009**

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**RETIREMENT PLAN:**

The Organization has a 403(b) plan covering substantially all full-time employees. Under the plan, the employees may elect to defer part of their salary subject to the Internal Revenue Code limits. The Organization may make a discretionary match to the employees' contribution. The Organization's contribution amounted to \$15,038 for the year ended June 30, 2009.

**RESTRICTIONS ON NET ASSETS:**

All of the restrictions on net assets at June 30, 2009 relate to funds that will be used for the care of the animals.

Temporarily restricted net assets are available for the following purpose:

TNR Grant	\$ 19,250
Little Bear Fund	<u>24,863</u>
Total	<u>\$ 44,113</u>

**DONATED SERVICES:**

The Organization receives services donated by the citizens interested in the Organization's programs. Because of the difficulty in assigning values for such services, these items are not reflected in the accompanying financial statements.

**FUNCTIONAL ALLOCATION OF EXPENSES**

The cost of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.