

**THE HUMANE SOCIETY OF NEW YORK**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2010**

**THE HUMANE SOCIETY OF NEW YORK**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
The Humane Society of New York  
New York, New York

We have audited the accompanying statements of financial position of The Humane Society of New York as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with the 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 audits provide 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 New York as of December 31, 2010 and 2009 and the changes in its net assets, its functional expenses and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*KBMG, LLC*

New York, NY  
April 15, 2011

**THE HUMANE SOCIETY OF NEW YORK**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

	<b>ASSETS</b>	
	<u>2010</u>	<u>2009</u>
<b>ASSETS:</b>		
Cash and Cash Equivalents	\$ 20,480,490	\$ 17,016,642
Clinic Accounts Receivable, Net of Allowance for Doubtful Accounts of \$100,000 and \$63,000, respectively	32,570	36,808
Inventory	176,295	108,450
Prepaid Expenses and Other	16,424	30,940
Investment Securities, at Fair Value	2,166,446	2,277,531
Property and Equipment	421,375	479,750
	<u>23,293,600</u>	<u>19,950,121</u>
<b>TOTAL ASSETS</b>	<b>\$ 23,293,600</b>	<b>\$ 19,950,121</b>
	<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES:</b>		
Accounts Payable and Accrued Expenses	\$ 127,298	\$ 161,417
Compensation and Benefits Payable	89,863	78,787
	<u>217,161</u>	<u>240,204</u>
<b>TOTAL LIABILITIES</b>	<b>217,161</b>	<b>240,204</b>
<b>NET ASSETS:</b>		
Unrestricted	<u>23,076,439</u>	<u>19,709,917</u>
	<u>23,293,600</u>	<u>19,950,121</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 23,293,600</b>	<b>\$ 19,950,121</b>

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

**THE HUMANE SOCIETY OF NEW YORK**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>Changes in Unrestricted Net Assets</b>		
<b>Support and Revenue:</b>		
Clinic and Adoption Fees	\$ 2,704,138	\$ 2,558,871
Grants and Bequests	3,914,952	946,445
Contributions	863,369	663,547
Special Events	202,050	80,681
Investment Income	240,960	471,972
	<u>7,925,469</u>	<u>4,721,516</u>
<b>Expenses:</b>		
Program Services:		
Animal Medical Care	2,616,700	2,556,424
Animal Shelter and Adoptions	1,153,193	1,061,415
Public Education	294,404	279,297
Supporting Services:		
Management and General	183,467	186,900
Fundraising and Publicity	311,183	239,098
	<u>4,558,947</u>	<u>4,323,134</u>
<b>Change in Net Assets</b>	3,366,522	398,382
<b>Net Assets - Beginning of Year</b>	<u>19,709,917</u>	<u>19,311,535</u>
<b>Net Assets - End of Year</b>	<u>\$ 23,076,439</u>	<u>\$ 19,709,917</u>

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

**THE HUMANE SOCIETY OF NEW YORK  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010				2009	
	PROGRAM SERVICES		SUPPORTING SERVICES		TOTAL	
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Management and General	Fund Raising and Publicity	TOTAL
Salaries	\$ 1,331,230	\$ 714,920	\$ 197,219	\$ 98,610	\$ 123,262	\$ 2,313,466
Employee Benefits and Payroll Taxes	203,449	109,259	30,141	15,070	18,838	345,776
Total Salaries and Benefits	1,534,679	824,179	227,360	113,680	142,100	2,841,998
Drugs, Medical Supplies and Services	785,934	166,526	-	-	-	940,317
Consulting and Professional Fees	59,662	3,658	32,360	24,000	6,079	125,759
Animal Food	19,109	27,792	-	-	-	46,901
Bad Debts	44,318	-	-	-	-	44,318
Occupancy - Utilities and Storage	11,571	26,630	6,298	6,298	6,298	57,095
Repairs and Maintenance	19,795	20,577	4,077	5,832	4,078	54,373
Credit Card and Bank Charges	57,736	2,717	-	-	-	60,453
Telephone	3,620	2,434	1,214	1,206	3,640	12,114
Office Expenses	25,753	11,654	9,666	10,707	55,596	113,376
Insurance	30,649	16,460	4,541	2,270	2,838	56,758
Special Events	-	-	-	-	75,180	75,180
Miscellaneous	7,860	10,531	881	11,467	7,367	38,106
Total Expenses Before Depreciation	2,600,686	1,113,158	286,397	175,460	303,176	4,478,877
Depreciation of Expense	16,014	40,035	8,007	8,007	8,007	89,476
<b>TOTAL EXPENSES</b>	<b>\$ 2,616,700</b>	<b>\$ 1,153,193</b>	<b>\$ 294,404</b>	<b>\$ 183,467</b>	<b>\$ 311,183</b>	<b>\$ 4,558,947</b>

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

THE HUMANE SOCIETY OF NEW YORK  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 3,366,522	\$ 398,382
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Net Realized and Unrealized Gains on Investment Securities	(53,443)	(94,830)
Value of Donated Securities	(15,472)	(7,906)
Depreciation Expense	80,070	89,476
<b>(Increase) Decrease in Operating Assets:</b>		
Receivables	4,238	5,075
Inventory	(67,845)	14,678
Prepaid Expenses and Other	14,516	(11,497)
<b>Increase (Decrease) in Operating Liabilities:</b>		
Accounts Payable and Accrued Expenses	(34,119)	11,070
Compensation and Benefits Payable	11,076	23,098
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>3,305,543</u>	<u>427,546</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Maturities of Corporate Bonds	180,000	750,000
Capital Improvements	(21,695)	(20,366)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>158,305</u>	<u>729,634</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	3,463,848	1,157,180
<b>CASH AND CASH EQUIVALENTS - beginning of year</b>	<u>17,016,642</u>	<u>15,859,462</u>
<b>CASH AND CASH EQUIVALENTS - end of year</b>	<u>\$ 20,480,490</u>	<u>\$ 17,016,642</u>

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

**THE HUMANE SOCIETY OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. NATURE OF OPERATIONS AND ACTIVITIES**

The Humane Society (the Society) is organized as a non profit corporation without capital stock under the laws of the State of New York. The organization was formed to foster the humane care of animals. In carrying out this basic purpose, the Society has established facilities for a fully staffed clinic to furnish medical care to animals and an animal shelter. The facilities are also used for an adoption program to place the animals with qualified new owners and to educate the public on the proper care and humane treatment of animals. The Society is supported primarily through donor contributions, grants and bequests and is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and accordingly, is not subject to Federal or state income taxes. The Society does not have any unrelated business income and accordingly, does not have any uncertain tax positions.

**B. BASIS OF ACCOUNTING**

The Society's accounts are maintained and its financial statements are prepared on the accrual basis in accordance with generally accepted accounting principles.

The costs of providing the various programs and other 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 as detailed on the Statement of Functional Expenses.

**C. 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.

**D. CONTRIBUTIONS AND PROMISES TO GIVE**

Contributions and bequests are recognized when received or when a donor makes an unconditional promise to give to the Society. Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, restricted net assets are reclassified to unrestricted net assets. As of December 31, 2010 and 2009, all of the Society's net assets are unrestricted.

**E. INVESTMENTS**

Investments in debt and equity securities are reported at their fair values in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets.

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**F. INVENTORIES**

Drugs and medical supplies are valued using a method that approximates the lower of cost or market.

**G. PROPERTY AND EQUIPMENT, NET**

The Society follows the practice of capitalizing the cost of land, building and improvements and equipment. The fair market value of donated property and equipment is similarly capitalized. All maintenance and repair costs are charged against current income. Depreciation is calculated over the useful lives of the assets using the straight-line method as follows:

	<u>Years</u>
Building	40
Building Improvements	20
Equipment and Furniture	7 - 15
Automobile	5

**H. CONTRIBUTED SERVICES**

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. However many individuals volunteer their time and perform a variety of tasks that assist the Society in many ways, but these services do not meet the criteria for recognition as contributed services.

**I. CASH AND CASH EQUIVALENTS**

For purposes of the statements of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**J. SUBSEQUENT EVENTS**

For the year ended December 31, 2010, the Society has evaluated subsequent events for potential recognition or disclosure through April 15, 2011, the date the financial statements were available for issuance

**K. RECLASSIFICATIONS**

Certain reclassifications have been made to the 2009 financial statements in order to conform to the current year presentation.

**THE HUMANE SOCIETY OF NEW YORK  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010**

**NOTE 2. INVESTMENT SECURITIES**

Investment securities as of December 31 consisted of the following:

	<b>2010</b>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Corporate Notes	\$ 1,940,977	\$ 2,119,479	\$ 178,502
Equity Securities, Mutual and Exchange Traded Funds	41,894	46,967	5,073
Total	<u>\$ 1,982,871</u>	<u>\$ 2,166,446</u>	<u>\$ 183,575</u>

  

	<b>2009</b>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Corporate Notes	\$ 2,122,494	\$ 2,253,367	\$ 130,873
Equity Securities and Mutual Fund	23,126	24,164	1,038
Total	<u>\$ 2,145,620</u>	<u>\$ 2,277,531</u>	<u>\$ 131,911</u>

An analysis of investment return, including cash equivalents, for the years ended December 31, is as follows:

	<u>2010</u>	<u>2009</u>
Interest and Dividends	\$ 187,517	\$ 376,758
Realized gains (losses)	-	(18,340)
Unrealized gains (losses)	53,443	113,554
Total	<u>\$ 240,960</u>	<u>\$ 471,972</u>

**NOTE 3. PROPERTY AND EQUIPMENT**

The Society uses its building as its Animal Shelter and Hospital, as well as its Administrative Headquarters. The costs of operating and maintaining this building are reflected in current operations.

**THE HUMANE SOCIETY OF NEW YORK  
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A summary of Property and Equipment at December 31, is as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 29,000	\$ 29,000
Building	774,485	774,485
Building Improvements	632,976	632,976
Equipment and Furniture	435,467	542,795
Automobile	26,248	27,564
Total	<u>1,898,176</u>	<u>2,006,820</u>
Less: Accumulated Depreciation	<u>1,476,801</u>	<u>1,527,070</u>
Net	<u>\$ 421,375</u>	<u>\$ 479,750</u>

**NOTE 4. SPECIAL EVENTS**

The Society sponsors fund-raising efforts at public events in New York City. Additional support was realized from the sale of animal related books, cards, T-shirts and other supplies. Special Event activities resulted in net income of \$126,870 and \$44,285 for the years ended December 31, 2010 and 2009, respectively.

**NOTE 5. CONCENTRATION OF CREDIT RISK**

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalent accounts in financial institutions which exceed the Federal depository insurance coverage limits. Cash and Cash Equivalents exceeding federally insured limits approximated \$19,750,000 at December 31, 2010.

Concentration of credit risk associated with the Society's investment portfolio is considered low due to the credit quality of the financial institution holding these investments.

**NOTE 6. FAIR VALUE MEASUREMENTS**

The Society follows Fair Value Measurements, which applies to all assets and liabilities that are being measured and reported on a fair value basis. Fair Value Measurements requires disclosure that establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This measurement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Fair Value Measurements requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

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Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Society performs an analysis of the assets and liabilities that are subject to Fair Value Measurements.

All investment securities have been valued using level 1 standards indicated above. The carrying amounts of cash and cash equivalents, receivables, inventories, accounts payable and accrued expenses approximate fair value due to the short-term nature of these assets and liabilities.