

WOODS HUMANE SOCIETY, INC.

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

**For the Year Ended
June 30, 2006**

WOODS HUMANE SOCIETY, INC.
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
For the Year Ended June 30, 2006

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Independent Auditors' Report

To the Board of Directors of
Woods Humane Society, Inc.

We have audited the accompanying statements of financial position of Woods Humane Society, Inc. (a nonprofit organization), as of June 30, 2006, and the related statements of activities, changes in net assets, 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 audits.

We conducted our audits in accordance with United States generally accepted auditing standards. 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 Woods Humane Society, Inc., as of June 30, 2006, and changes in its net assets and its cash flows for the year then ended in conformity with United States generally accepted accounting principles.


BURKART & ASSOCIATES
an Accountancy Corporation
Certified Public Accountants

October 25, 2006

WOODS HUMANE SOCIETY, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2006

2006			
ASSETS	Unrestricted General Fund	Temporarily Restricted	Totals
Current assets:			
Cash and cash equivalents (Note 2 and 3)	\$ 233,880	\$ 17,350	\$ 251,230
Agency endowment fund (Note 4)	7,639		\$ 7,639
Pledges receivable	21,250		21,250
Prepaid expenses	10,383		10,383
Inventory of supplies, at cost	2,440		2,440
Total current assets	275,592		292,942
Property and equipment:			
Property and equipment - net (Notes 2 and 5)	3,077,743		3,077,743
Total assets	\$ 3,353,335	\$ 17,350	\$ 3,370,685

2006			
LIABILITIES AND NET ASSETS	Unrestricted General Fund	Temporarily Restricted	Totals
Current liabilities:			
Accounts payable	\$ 52,857		\$ 52,857
Accrued expenses	22,422	17,350	39,772
Total current liabilities	75,279	17,350	92,629
Net assets:			
Temporarily Restricted (Note 2 and 6)			
Unrestricted	3,278,056		3,278,056
Total net assets	3,278,056	0	3,278,056
Total liabilities and net assets	\$ 3,353,335	\$ 17,350	\$ 3,370,685

See accountants' audit report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2006

2006			
	Unrestricted General <u>Fund</u>	Temporarily <u>Restricted</u>	<u>Totals</u>
Revenues, gains and support:			
Donations and bequests	\$ 1,588,769		\$ 1,588,769
Grants	56,395		56,395
Retail sales	1,400		1,400
Program income	92,953		92,953
Special event net income	38,027		38,027
Interest/dividend income	4,886		4,886
			-
Total revenues, gains and support	1,782,430	-	1,782,430
Expenses:			
Program services	619,803		619,803
Management and general	133,171		133,171
Fund raising	45,919		45,919
Total expenses	798,893	-	798,893
Increase (decrease) in net assets from operations	983,537	-	983,537
Other changes			
Net assets reclassified	105,684	(105,684)	
Change in net assets	\$ 1,089,221	\$ (105,684)	\$ 983,537

See accountants' audit report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.

STATEMENTS OF CHANGES IN NET ASSETS

For the Year Ended June 30, 2006

2006			
	Unrestricted General <u>Fund</u>	Temporarily <u>Restricted</u>	<u>Totals</u>
NET ASSETS - June 30, 2005	\$ 2,188,835	\$ 105,684	\$ 2,294,519
Increase (decrease) in net assets	1,089,221	(105,684)	983,537
NET ASSETS - June 30, 2006	\$ 3,278,056	\$ -	\$ 3,278,056

See accountants' audit report

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WOODS HUMANE SOCIETY, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2006

2006				
	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Totals</u>
Expenses:				
Salaries and wages	\$ 236,259	\$ 64,900	\$ 35,500	\$ 336,659
Employee benefits	11,150	5,400	3,200	19,750
Payroll taxes	20,726	5,800	3,200	29,726
Accounting	9,429	1,664		11,093
Advertising and promotion	20,713	3,655		24,368
Auto expense	1,373	242		1,615
Bank charges	1,487	321		1,808
Cost of sales	1,076			1,076
Conference expense		234	234	468
Depreciation	74,925	13,222		88,147
Dues and subscriptions	1,073	189		1,262
Employee related expenses	1,890	311		2,201
Fund-raising expenses			211	211
Interest expense	13,844			13,844
Insurance	25,004	4,413		29,417
Microchip expenses	10,357			10,357
Moving expense		5,404		5,404
Office supplies	5,805	4,644	1,162	11,611
Other expenses		8,617		8,617
Postage and printing	2,837	2,838		5,675
Rent expense	1,533			1,533
Rent expense - other		1,267	543	1,810
Repairs and maintenance	23,093	4,075		27,168
Spay/neuter/rabies expense	49,994			49,994
Supplies-other	11,694	2,064		13,758
Supplies-pet	21,811			21,811
Taxes, licenses and fees	414			414
Telephone	2,181	2,181	1,869	6,231
Travel	1,759	310		2,069
Utilities	26,989	1,420		28,409
Loss on sale of equipment	42,387			42,387
Total expenses	\$ 619,803	\$ 133,171	\$ 45,919	\$ 798,893

See accountants' audit report

The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2006

	2006
	<u>Totals</u>
<i>Cash flows from operating activities:</i>	
Change in net assets	\$ 983,537
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities	
Depreciation	88,147
(Increase) decrease in agency endowment fund	(7,639)
(Increase) decrease in pledges receivable	40,950
(Increase) decrease in prepaid expenses	4,393
(Increase) decrease in inventory of supplies	227
Increase (decrease) in accounts payable	(330,955)
Increase (decrease) in accrued expenses	29,039
Net cash provided (used) by operating activities	807,699
<i>Cash flows from investing activities:</i>	
Purchase of property and equipment	(636,970)
Net cash provided (used) by investing activities	(636,970)
<i>Net increase (decrease) in cash and cash equivalents</i>	170,729
<i>Cash and cash equivalents at beginning of year</i>	80,501
<i>Cash and cash equivalents at end of year</i>	\$ 251,230

See accountants' audit report
The accompanying notes are an integral part of these financial statements

WOODS HUMANE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

NOTE 1: ORGANIZATION AND PURPOSE

The Woods Humane Society, Inc. (the Society) is a non-profit, non-stock corporation, organized to provide for the treatment, housing and placement of unwanted animals, and to further humane education and responsible pet ownership in the County of San Luis Obispo, California. The Society solicits donations to facilitate its purpose. It also provides adoptions for which it charges a fee to individuals. The Society was established in May 1955 and is located at 875 Oklahoma Avenue, San Luis Obispo, California.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

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 Statements 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.

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.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. The Society currently does not have any permanently restricted assets.

The Society reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how these long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services

The Society receives a substantial amount of services donated by members of the community and volunteers in carrying out the society's purpose. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under SFAS No. 116.

Income Taxes

The Society is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and Cal. Rev. & Tax. Dc. Sec. 23701(d).

NOTE 3: CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash deposited in checking accounts for operational purposes and funds in highly liquid money market accounts. Cash and cash equivalents consist of the following:

	<u>2006</u>
Cash on hand	\$ 206
Checking	67,803
Cash in money market accounts	<u>183,221</u>
Total cash and cash equivalents	<u>\$ 251,230</u>

WOODS HUMANE SOCIETY, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2006

NOTE 4: AGENCY ENDOWMENT FUND

The San Luis Obispo County Community Foundation establishes agency endowment funds for not-for-profit organizations based on donor specifications. The Foundation maintains variance power and legal ownership of agency endowment funds. The balance in the fund The Foundation currently holds for Woods Humane Society, Inc. is \$7,639.

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2006, consists of the following:

	<u>2006</u>
Vehicles	\$ 24,386
Equipment	82,706
Facility	<u>3,076,785</u>
Total property and equipment	<u>3,183,877</u>
Less: Accumulated depreciation	<u>(106,134)</u>
Property and equipment - Net	<u><u>\$3,077,743</u></u>

NOTE 6: RESTRICTIONS ON NET ASSETS

Net assets are temporarily restricted for the following purposes:

	<u>2006</u>
Critter Camp Scholarships	\$ 3,630
Critter Camp Deferred Income	<u>13,720</u>
Total temporarily restricted net assets	<u><u>\$ 17,350</u></u>

NOTE 7: RENTAL AGREEMENTS

The Society entered into an agreement in December 2001 with the County of San Luis Obispo to build a new facility on land currently owned by the County. Cash rent is waived in exchange for the Society furnishing services to the San Luis Obispo County Sheriff's Department, Animal Services Division. The lease term is thirty years with two five-year renewal options.

NOTE 8: COMMITMENTS

On December 10, 2002 the Society entered into a lease agreement with GE Capital for a copier. The agreement calls for annual payments of \$1,131 and terminates on December 10, 2007.

WOODS HUMANE SOCIETY, INC.
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2006

NOTE 9: FUNCTIONAL ALLOCATION OF EXPENSES

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