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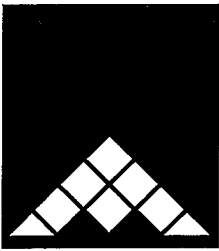
THE HUMANE SOCIETY OF NEW YORK

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
DECEMBER 31, 2011**

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, 2011 and 2010, 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, 2011 and 2010 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Adeptus Partners, LLC

New York, NY
April 11, 2012

Offices:

New York City
Long Island
New Jersey

THE HUMANE SOCIETY OF NEW YORK
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2011 AND 2010

		ASSETS	
		<u>2011</u>	<u>2010</u>
ASSETS:			
Cash and Cash Equivalents	\$	23,726,321	\$ 20,480,490
Clinic Accounts Receivable, Net of Allowance for Doubtful Accounts of \$150,000 and \$100,000, respectively		32,049	32,570
Medical and Supplies Inventories		206,081	176,295
Prepaid Expenses and Other		18,421	16,424
Investment Securities, at Fair Value		1,915,710	2,166,446
Property and Equipment, Net		498,440	421,375
TOTAL ASSETS	\$	<u>26,397,022</u>	\$ <u>23,293,600</u>
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts Payable and Accrued Expenses	\$	140,398	\$ 127,298
Compensation and Benefits Payable		103,983	89,863
TOTAL LIABILITIES		<u>244,381</u>	<u>217,161</u>
NET ASSETS:			
Unrestricted		<u>26,152,641</u>	<u>23,076,439</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>26,397,022</u>	\$ <u>23,293,600</u>

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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Changes in Unrestricted Net Assets		
Support and Revenue:		
Clinic and Adoption Fees	\$ 2,772,893	\$ 2,704,138
Grants and Bequests	4,013,563	3,914,952
Contributions	855,504	863,369
Special Events	56,618	202,050
Investment Income	171,958	240,960
Total Unrestricted Support and Revenue	<u>7,870,536</u>	<u>7,925,469</u>
Expenses:		
Program Services:		
Animal Medical Care	2,829,560	2,616,700
Animal Shelter and Adoptions	1,198,604	1,153,193
Public Education	321,140	294,404
Supporting Services:		
Management and General	186,078	183,467
Fundraising and Publicity	258,952	311,183
Total Expenses	<u>4,794,334</u>	<u>4,558,947</u>
Change in Net Assets	3,076,202	3,366,522
Net Assets - Beginning of Year	<u>23,076,439</u>	<u>19,709,917</u>
Net Assets - End of Year	<u>\$ 26,152,641</u>	<u>\$ 23,076,439</u>

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

THE HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011

	2011				TOTAL	
	PROGRAM SERVICES		SUPPORTING SERVICES			
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Management and General		Fund Raising and Publicity
Salaries	\$ 1,397,643	\$ 750,586	\$ 207,058	\$ 103,529	\$ 129,412	\$ 2,588,228
Employee Benefits and Payroll Taxes	213,853	114,847	31,682	15,841	19,801	396,024
Total Salaries and Benefits	1,611,496	865,433	238,740	119,370	149,213	2,984,252
Drugs, Medical Supplies and Services	924,893	157,229	-	-	-	1,082,122
Consulting and Professional Fees	33,665	-	38,365	24,500	15,000	111,530
Animal Food	10,962	19,761	-	-	-	30,723
Provision for Doubtful Accounts	50,000	-	-	-	-	50,000
Occupancy - Utilities and Storage	13,968	32,476	7,539	7,539	7,539	69,061
Repairs and Maintenance	25,237	29,488	5,454	5,690	5,229	71,098
Credit Card and Bank Charges	54,536	2,375	-	-	4,557	61,468
Telephone	3,703	2,512	1,281	1,294	3,927	12,717
Office Expenses	30,761	13,533	13,241	9,031	54,361	120,927
Insurance	38,145	20,485	5,651	2,826	3,532	70,639
Special Events	-	-	-	-	346	346
Miscellaneous	13,849	9,449	1,697	6,656	6,076	37,727
Total Expenses Before Depreciation	2,811,215	1,152,741	311,968	176,906	249,780	4,702,610
Depreciation Expense	18,345	45,863	9,172	9,172	9,172	91,724
TOTAL EXPENSES	\$ 2,829,560	\$ 1,198,604	\$ 321,140	\$ 186,078	\$ 258,952	\$ 4,794,334

The accompanying notes are an integral part of this financial statement.

THE HUMANE SOCIETY OF NEW YORK
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010

	2010					TOTAL
	PROGRAM SERVICES		SUPPORTING SERVICES			
	Animal Medical Care	Animal Shelter and Adoptions	Public Education	Management and General	Fund Raising and Publicity	
Salaries	\$ 1,331,230	\$ 714,920	\$ 197,219	\$ 98,610	\$ 123,262	\$ 2,465,241
Employee Benefits and Payroll Taxes	203,449	109,259	30,141	15,070	18,838	376,757
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	-	-	-	952,460
Consulting and Professional Fees	59,662	3,658	32,360	24,000	6,079	125,759
Animal Food	19,109	27,792	-	-	-	46,901
Provision for Doubtful Accounts	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	54,359
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 Expense	16,014	40,035	8,007	8,007	8,007	80,070
TOTAL EXPENSES	\$ 2,616,700	\$ 1,153,193	\$ 294,404	\$ 183,467	\$ 311,183	\$ 4,558,947

The accompanying notes are an integral part of this financial statement.

THE HUMANE SOCIETY OF NEW YORK
 STATEMENTS OF CASH FLOWS
 FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 3,076,202	\$ 3,366,522
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Net Realized and Unrealized (Gains) Losses on Investment Securities	12,586	(53,443)
Value of Donated Securities	(11,850)	(15,472)
Depreciation Expense	91,724	80,070
(Increase) Decrease in Operating Assets:		
Receivables	521	4,238
Medical and Supplies Inventories	(29,786)	(67,845)
Prepaid Expenses and Other	(1,997)	14,516
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	13,100	(34,119)
Compensation and Benefits Payable	14,120	11,076
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>3,164,620</u>	<u>3,305,543</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of Corporate Bonds	250,000	180,000
Capital Improvements	(168,789)	(21,695)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>81,211</u>	<u>158,305</u>
INCREASE IN CASH AND CASH EQUIVALENTS	3,245,831	3,463,848
CASH AND CASH EQUIVALENTS - beginning of year	<u>20,480,490</u>	<u>17,016,642</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 23,726,321</u>	<u>\$ 20,480,490</u>

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

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, as well as 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 Statements 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, 2011 and 2010, 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.

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:

THE HUMANE SOCIETY OF NEW YORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

	<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, 2011, the Society has evaluated subsequent events for potential recognition or disclosure through April 11, 2012, the date the financial statements were available for issuance

NOTE 2. TEMPORARY FACILITY CLOSURE

The Society's operational and administrative facility was closed from approximately mid-August through mid-September 2011 in order to paint the entire building and conduct certain other renovation projects. As a result, the Society was not able to conduct its normal operational mission during this period. However, the renovations have dramatically improved the workflow and efficiency of the Society.

NOTE 3. INVESTMENT SECURITIES

Investment securities as of December 31 consisted of the following:

	<u>2011</u>		
	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Corporate Notes	\$ 1,722,190	\$ 1,848,385	\$ 126,195
Equity Securities, Mutual and Exchange Traded Funds	61,309	67,325	6,016
Total	<u>\$ 1,783,499</u>	<u>\$ 1,915,710</u>	<u>\$ 132,211</u>

THE HUMANE SOCIETY OF NEW YORK
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2011

	<u>2010</u>		
	<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>

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

	<u>2011</u>	<u>2010</u>
Interest and Dividends	\$ 184,544	\$ 187,517
Unrealized gains (losses)	(12,586)	53,443
Total	<u>\$ 171,958</u>	<u>\$ 240,960</u>

NOTE 4. 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.

A summary of Property and Equipment at December 31, is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 29,000	\$ 29,000
Building	774,485	774,485
Building Improvements	636,626	632,976
Equipment and Furniture	600,606	435,467
Automobile	26,248	26,248
Total	<u>2,066,965</u>	<u>1,898,176</u>
Less: Accumulated Depreciation	<u>1,568,525</u>	<u>1,476,801</u>
Net	<u>\$ 498,440</u>	<u>\$ 421,375</u>

NOTE 5. 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 \$56,272 and \$126,870 for the years ended December 31, 2011 and 2010, respectively.

NOTE 6. 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 \$22,980,000 at December 31, 2011.

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 7. CONTINGENCIES

The Society from time to time may become involved in legal claims arising in the ordinary course of their activities. In the opinion of management, the outcome of any legal proceedings is covered by the Society's insurance policies and accordingly, would not have a material effect on its financial position or changes in net assets.

NOTE 8. 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:

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.