

**ASSOCIATED HUMANE SOCIETIES, INC.**

**June 30, 2013**

**BEDARD, KUROWICKI & CO., CPA'S, PC  
CERTIFIED PUBLIC ACCOUNTANTS**

**ASSOCIATED HUMANE SOCIETIES, INC.**

**For the Year Ended June 30, 2013**

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Bedard, Kurowicki & Co.  
Certified Public Accountants, PC  
[www.bkc-cpa.com](http://www.bkc-cpa.com)

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## **Independent Auditors' Report**

To the Board of Trustees of  
Associated Humane Societies, Inc.  
Newark, New Jersey

We have audited the accompanying financial statements of Associated Humane Societies, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Associated Humane Societies, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Bedard, Kurowicki & Co.*  
**BEDARD, KUROWICKI & CO., CPA'S, PC**

December 2, 2013  
Flemington, New Jersey

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Statement of Financial Position**  
**June 30, 2013**

**ASSETS**

Current assets	
Cash	\$ 535,932
Accounts receivable, net of allowance for doubtful accounts of \$45,000	470,296
Inventory	105,028
Prepaid expenses	110,970
Total current assets	1,222,226
Property and equipment, net of accumulated depreciation of \$7,604,872	2,090,675
Other assets	
Investments	7,196,421
Certificates of deposit	22,063
Receivables from estates	212,000
Total other assets	7,430,484
Total assets	\$ 10,743,385

**LIABILITIES AND NET ASSETS**

Current liabilities	
Accounts payable	\$ 129,675
Accrued liabilities	258,808
Total liabilities - all current	388,483
Net assets	
Unrestricted	10,349,958
Temporarily restricted	4,944
Total net assets	10,354,902
Total liabilities and net assets	\$ 10,743,385

See accompanying notes to the financial statements.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Statement of Activities**  
**For the Year Ended June 30, 2013**

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b>Revenue</b>			
Contributions	\$ 1,497,891	\$ -	\$ 1,497,891
Grants	41,000	-	41,000
Legacies and bequests	2,516,600	-	2,516,600
Special events	506,034	-	506,034
Program service revenue	3,666,425	-	3,666,425
Merchandise sales	80,005	-	80,005
Net assets released from restriction	31,167	(31,167)	-
Total public support, revenue and reclassifications	8,339,122	(31,167)	8,307,955
<b>Expenses</b>			
Program services	7,387,590	-	7,387,590
Management and general expenses	1,228,821	-	1,228,821
Fundraising	334,755	-	334,755
Total expenses	8,951,166	-	8,951,166
<b>Non-operating income (expense)</b>			
Unrealized gain on investments	47,467	-	47,467
Settlement income	348,862	-	348,862
Realized gain on sale of investments	30,206	-	30,206
Bad debts	(29,300)	-	(29,300)
Interest and dividends	263,521	-	263,521
Rental income	14,328	-	14,328
Total other non-operating income (expense)	675,084	-	675,084
Change in net assets	63,040	(31,167)	31,873
Net assets - beginning of year	10,286,918	36,111	10,323,029
Net assets - end of year	<u>\$ 10,349,958</u>	<u>\$ 4,944</u>	<u>\$ 10,354,902</u>

See accompanying notes to the financial statements.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2013**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 3,409,300	\$ 972,027	\$ 29,672	\$ 4,410,999
Payroll taxes and fringe benefits	653,065	148,811	14,543	816,419
Total salaries and related expenses	<u>4,062,365</u>	<u>1,120,838</u>	<u>44,215</u>	<u>5,227,418</u>
Animal food, supplies, and drugs	929,449	-	-	929,449
Automotive costs	90,266	10,774	315	101,355
Bank and credit card fees	22,791	-	3,079	25,870
Insurance	279,454	7,162	441	287,057
Media advertising	1,136	1,811	70,173	73,120
Miscellaneous	6,515	3,921	49,921	60,357
Occupancy	579,894	4,189	-	584,083
Postage	67,307	8,845	75,300	151,452
Professional fees	612,017	2,970	-	614,987
Repairs and maintenance	153,919	15,590	-	169,509
Supplies	154,991	50,333	91,311	296,635
Telephone	81,291	2,388	-	83,679
Depreciation	346,195	-	-	346,195
Total	<u>\$ 7,387,590</u>	<u>\$ 1,228,821</u>	<u>\$ 334,755</u>	<u>\$ 8,951,166</u>

See accompanying notes to the financial statements.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2013**

Cash flows from operating activities	\$ 31,873
Change in net assets	
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	346,195
Bad debts	29,300
Realized gain on sale of investments	(30,206)
Unrealized loss on investments	(47,467)
(Increase) decrease in assets	
Accounts receivable	75,250
Inventory	(27,728)
Prepaid expenses	(76,417)
Receivables from estates	1,080,829
Increase (decrease) in liabilities	
Accounts payable	2,105
Accrued liabilities	(92,408)
Total adjustments	<u>1,259,453</u>
Net cash provided by operating activities	<u>1,291,326</u>
 Cash flows from investing activities	
Purchase of property and equipment	(416,016)
Proceeds from sale of investments	2,295,883
Purchase of investments	(3,062,237)
Net cash used in investing activities	<u>(1,182,370)</u>
 Net increase in cash	108,956
 Cash - beginning of year	<u>426,976</u>
 Cash - end of year	<u><u>\$ 535,932</u></u>

See accompanying notes to the financial statements.



**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

Nature of activities

Associated Humane Societies, Inc. (the Organization) is a non-profit organization, established in 1906. The primary objective of the Organization is the prevention of cruelty to animals throughout the United States, and specifically, the State of New Jersey. The Organization advances humane treatment of animals by providing public awareness regarding proper care and treatment of animals. It also maintains animal care centers, medical/surgical facilities and ambulance services to provide medical needs to animals in the local communities. Associated Humane Societies has two shelters and a zoo that houses pets, wildlife, farm and exotic animals, all having been rescued. Some animals are permanent residents, while many others are available for adoption.

The Organization provides animal control services to towns throughout the State of New Jersey as well as county parks, highways and other areas by contract through state, county and local municipalities. The services include pick-up and/or rescue of owned, abandoned, trapped or sick animals and wildlife.

Basis of presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Organization status

The Organization is a non-profit corporation exempt from income taxes under the Internal Revenue Code Section 501(c)(3) and similar provision for New Jersey. Therefore, no provision for income taxes has been made. The Organization's information returns before 2010 are no longer subject to examination by either federal or state authorities.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Organization considers all highly liquid investment instruments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable consists primarily of amounts due from town contracts for animal control services. An allowance for receivables is provided based upon management's judgment and prior collection history.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Inventory

Inventory consists of animal medications, supplies, and novelty items and is valued at the lower of cost (first-in, first-out) or market.

Property and equipment

Property and equipment are stated at cost and depreciated over the estimated useful life of each asset. Depreciation is provided by use of the straight-line method over the following estimated useful lives:

	<u>Estimated Useful Life</u>
Building and leasehold improvements	5 - 31.5 years
Furniture and equipment	5 - 10 years
Transportation equipment	5 years

Additions and improvements, which extend the useful lives of the respective assets, are charged to asset accounts and are depreciated accordingly, while general repairs and maintenance are expensed as incurred. There is no formal capitalization policy. The cost and related accumulated depreciation of assets sold or retired are eliminated from the accounts and any gains or losses are included in the changes in net assets.

Net asset classifications

Net assets are classified based on the existence or absence of donor imposed restrictions. Net assets are defined as follows:

Unrestricted net assets are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired.

Temporarily restricted net assets include assets for which donor-imposed restrictions have not been met.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the organization.

Revenue recognition

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)

Contributions

Contributions of cash and other assets, including unconditional promises to give, are considered to be available for unrestricted use unless specifically restricted by the donor and are recognized as support in the period the unconditional promise is given. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received in future periods are discounted at an appropriate discount rate. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Gifts of cash and other noncapital assets are reported as temporarily restricted support when the gifts 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 statements of activities as net assets released from restrictions. If a restriction is fulfilled in the same period in which the contribution is received the support is reported as unrestricted.

Contributed services

Unpaid volunteers contribute their time to forward the Organization's program services. No amounts for donated services have been included in these statements, as they do not meet the criteria for recognition.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among the programs and services benefited. Functional expenses are calculated by specific identification and allocation based on management's judgment.

Advertising expenses

All advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2013 was \$73,120.

Retirement plan

The Organization maintains a defined contribution profit-sharing plan covering substantially all full-time employees. Contributions to the plan are discretionary and are determined annually by the Board of Directors. Profit-sharing plan expense for the year ended June 30, 2013 was \$25,000.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 2 - Concentrations

Cash

The Organization maintains its cash balances in several financial institutions, which may at times, exceed federally insured limits. Approximately \$272,000 in cash exceeded the insurance limitations at June 30, 2013.

Note 3 - Accounts receivable

Accounts receivable consists of amounts owed to the Organization for services provided through yearly contracts with local governments. Management monitors outstanding client balances and reserves those balances that are deemed uncollectible. There was \$29,300 of bad debt expense for the year ended June 30, 2013.

Note 4 - Property and equipment

Property and equipment at June 30, 2013 consist of the following:

Land	\$ 249,421
Buildings and leasehold improvements	7,297,338
Furniture and equipment	1,331,472
Transportation equipment	817,316
	9,695,547
Less: accumulated depreciation	7,604,872
Property and equipment, net	\$ 2,090,675

Depreciation expense for the year ended June 30, 2013 was \$346,195.

Note 5 - Investments

Investments are classified as available for sale securities and are reported at fair market value and included as a component of net assets. The specific identification method is used to determine realized gains and losses. Interest and dividends earned on the investments for the year ended June 30, 2013 totaled \$263,521. All interest, dividends, gains and losses are unrestricted.

Unrealized gains and losses are reported as a separate component of net operating income until realized.

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 6 - Fair value measurements

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The following table presents assets that are measured at fair value on a recurring basis at June 30, 2013:

	Fair Value Measurement at Reporting Date Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market	\$ 1,246,497	\$ -	\$ -
Equities	2,629,882	-	-
Fixed income	3,320,042	-	-
	\$ 7,196,421	\$ -	\$ -

**ASSOCIATED HUMANE SOCIETIES, INC.**  
**Notes to the Financial Statements**

Note 7 - Receivables from estates

The Organization records bequests receivable when notification has been received that they are named as a beneficiary in a will for which the amount to be received has been made known or an estimate has been provided by the executor of the estate. If the donor has designated that the proceeds be used for a specific purpose, the funds are recorded as temporarily restricted net assets.

As of June 30, 2013, the amount of bequests outstanding was \$212,000.

Note 8 - Subsequent events

The Organization's management has determined that no material events or transactions have occurred subsequent to June 30, 2013 and through December 2, 2013, the date of the Organization's financial statement issuance, which requires additional disclosure in the Organization's financial statements.