
The Animal Foundation

Financial Statements

December 31, 2011 and 2010



Contents

Independent Auditor's Report	1
-------------------------------------	----------

Financial Statements

Statements of Financial Position	2
Statements of Activities	3
Statement of Functional Expenses (2011)	4
Statement of Functional Expenses (2010)	5
Statements of Cash Flows	6
Notes to Financial Statements	7-13



Independent Auditor's Report

To the Board of Directors
The Animal Foundation
Las Vegas, NV

We have audited the accompanying statements of financial position of The Animal Foundation (a nonprofit organization) 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 Foundation'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 The Animal Foundation 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.

Gilmore & Gilmore, CPAs

Las Vegas, Nevada
March 2, 2012



America Counts on CPAs®

3067 E. Warm Springs Road, Suite 300 Las Vegas, NV 89120
Phone: (702) 364-0400 | Fax: (702) 253-1299
www.gilmorecpas.com

The Animal Foundation
Statements of Financial Position
Years Ending December 31,

	2011	2010
Assets		
Current Assets		
Cash and cash equivalents	\$ 3,726,376	\$ 639,527
Cash and cash equivalents - restricted	83,608	262,470
Accounts receivable net of allowance of \$4,742 & \$11,960, respectively	23,682	10,925
Contributions receivable - irrevocable trust (Note 1)	18,629	5,721
Inventory	51,116	51,925
Prepaid expenses	21,408	6,007
Total Current Assets	3,924,818	976,575
Property and equipment, net (Note 1 & 3)	17,378,140	17,629,755
Construction in progress (Note 4)	331,987	116,301
Land held for investments (Note 5)	216,940	216,940
Deposits	-	47,368
Contributions receivable, net of current portion (Note 1)	-	15,108
Notes receivable (Note 1)	23,451	23,451
Pledges receivable, net of current portion (Note 2)	483,536	483,436
Total Assets	\$ 22,358,872	\$ 19,508,934
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 202,231	\$ 200,308
Accrued liabilities	223,242	204,924
Litigation payable (Note 11)	140,000	-
Deferred revenue	146,619	359,765
Current portion of notes payable (Note 7)	-	312,134
Total Current Liabilities	712,092	1,077,131
Notes payable less current portion (Note 7)	-	1,333,151
Total Liabilities	712,092	2,410,282
Commitments and Contingencies (Note 6)		
Net Assets		
Unrestricted	21,069,944	16,322,672
Temporarily restricted (Note 8)	576,836	775,980
Total Net Assets	21,646,780	17,098,652
Total Liabilities and Net Assets	\$ 22,358,872	\$ 19,508,934

The Animal Foundation
Statements of Activities
For the Years Ending December 31,

	2011	2010
Unrestricted Net Assets		
Revenue, gains and other support	\$ 8,351,383	\$ 2,877,373
Service contract revenue	4,068,879	4,271,977
Unrealized loss on investments (Note 5)	-	(457,060)
Net assets released from restrictions	282,845	281,536
Total Revenues, Gains and Other Support	12,703,106	6,973,826
Expenses and losses		
Program services	6,499,701	6,161,552
Management and general	977,030	850,564
Fundraising	479,103	305,357
Total Expenses	7,955,834	7,317,473
Increase (Decrease) in Unrestricted Net Assets	4,747,272	(343,647)
Temporarily Restricted Net Assets		
Building fund contributions	300	300
Contributions	83,400	262,465
Less: Net assets released from restriction	(282,845)	(281,536)
Decrease in Temporarily Restricted Net Assets	(199,145)	(18,771)
Increase (Decrease) in Net Assets	4,548,128	(362,418)
Net Assets at Beginning of the Year	17,098,652	17,461,070
Net Assets at End of Year	\$ 21,646,780	\$ 17,098,652

The Animal Foundation
 Statements of Functional Expenses
 For the Year Ending December 31, 2011

	Administration	Adoptions	Clinic	Shelter	Fundraising	Total
Salaries and wages	\$ 615,842	\$ 684,683	\$ 845,782	\$ 1,692,606	\$ 140,396	\$ 3,979,309
Animal care expenses	12,250	98,224	535,096	197,192	821	843,583
Depreciation	10,370	303,084	39,012	259,826	2,358	614,649
Payroll taxes	50,192	62,709	79,060	147,811	11,466	351,238
Utilities	12,376	120,313	31,604	131,664	889	296,846
Professional and other services	47,002	4,944	6,413	94,971	92,347	245,677
Employee benefits	23,482	47,506	49,121	111,588	3,033	234,730
Donated materials and supplies	-	100,523	95,474	32,747	1,300	230,044
Donated facilities	4,793	74,833	22,567	94,876	307	197,376
Litigation expense	140,000	-	-	-	-	140,000
Donated services	1,634	39,103	22,817	27,217	22,114	112,885
Donated car expenses	-	-	-	-	93,502	93,502
Building repairs and maintenance	5,127	17,446	4,501	63,403	90	90,567
Mortgage interest	-	58,695	-	28,910	-	87,605
Other expenses	16,429	8,614	12,436	27,030	9,410	73,919
Supplies	19,955	3,806	9,935	13,594	3,770	51,060
Insurance	3,223	18,218	5,084	24,098	57	50,680
Credit card fees	-	19,963	9,706	6,538	6,271	42,478
Advertising	-	172	723	-	36,382	37,277
Rent	1,676	24,332	1,816	5,006	650	33,480
Equipment repairs and maintenance	4,465	8,156	3,185	14,858	32	30,696
Special event direct expenses	-	1,276	-	-	29,001	30,277
Travel	668	-	691	4,581	23,171	29,111
Small equipment, furniture, and tools	4,922	4,457	4,558	7,648	201	21,786
Safety and security	1,463	5,122	3,223	10,651	279	20,738
Telephone and internet	1,256	1,256	2,512	3,334	1,256	9,614
(Gain) loss on disposal of assets	(94)	2,721	-	4,081	-	6,708
	\$ 977,030	\$ 1,710,156	\$ 1,785,316	\$ 3,004,230	\$ 479,103	\$ 7,955,834

See Independent Auditor's Report and Notes to the Financial Statements

The Animal Foundation
 Statements of Functional Expenses
 For the Year Ending December 31, 2010

	Administration	Adoptions	Clinic	Shelter	Fundraising	Total
Salaries and wages	\$ 635,028	\$ 589,382	\$ 779,043	\$ 1,622,833	\$ 85,063	\$ 3,711,348
Animal care expenses	12,719	67,850	560,194	150,259	861	791,882
Depreciation	9,012	275,682	42,137	262,249	429	589,510
Payroll taxes	48,340	46,845	62,171	128,582	6,768	292,707
Utilities	13,690	106,953	36,098	144,402	979	302,122
Professional and other services	42,643	5,817	1,747	91,965	9,563	151,735
Employee benefits	22,039	44,269	49,459	125,710	867	242,344
Donated materials and supplies	2,000	79,244	18,611	30,124	-	129,980
Donated facilities	4,520	67,857	23,922	100,753	325	197,376
Litigation expense	-	-	-	-	-	-
Donated services	1,744	18,204	17,608	47,288	15,854	100,697
Donated car expenses	-	-	-	-	101,177	101,177
Building repairs and maintenance	1,051	31,644	11,635	36,458	-	80,788
Mortgage interest	-	78,478	-	38,653	-	117,132
Other expenses	22,965	18,067	17,628	36,997	10,207	105,864
Supplies	19,909	6,506	8,530	30,825	9,542	75,313
Insurance	830	17,515	6,563	27,007	60	51,974
Credit card fees	-	15,086	6,204	4,866	5,293	31,450
Advertising	-	4,827	3,572	3,086	8,391	19,876
Rent	5,222	23,952	1,459	5,581	524	36,736
Equipment repairs and maintenance	578	7,789	3,052	9,834	26	21,280
Special event direct expenses	-	1,201	-	-	43,901	45,101
Travel	-	52	327	530	3,459	4,368
Small equipment, furniture, and tools	4,854	9,683	10,104	6,287	-	30,928
Safety and security	1,114	3,326	1,539	7,666	127	13,772
Telephone and internet	1,497	1,338	1,304	4,597	1,941	10,678
Loss (gain) on disposal of assets	809	933	249	59,344	-	61,335
	\$ 850,564	\$ 1,522,500	\$ 1,663,156	\$ 2,975,896	\$ 305,357	\$ 7,317,473

See Independent Auditor's Report and Notes to the Financial Statements

The Animal Foundation
Statements of Cash Flows
For the Year Ending December 31,

	2011	2010
Cash Flows From Operating Activities		
Decrease in net assets	\$ 4,548,128	\$ (362,418)
Changes in working capital components:		
Depreciation	614,650	589,510
Loss on disposal of equipment	6,708	61,335
Increase (decrease) in allowance for doubtful accounts	(7,677)	12,419
Unrealized loss on investments	-	457,060
Noncash contributions	(16,300)	(14,327)
(Increase) in accounts receivable	(5,079)	(3,142)
(Increase) decrease in contributions receivable	2,200	(20,829)
(Increase) decrease in pledge receivables	(100)	19,150
Decrease in notes receivable	-	(23,451)
(Increase) decrease in prepaid expenses	(15,401)	24,860
(Increase) decrease in deposits	47,368	(25,816)
(Increase) decrease in inventories	809	(18,503)
(Increase) decrease in accounts payable	1,923	(1,020)
Increase (decrease) in accrued liabilities	18,318	(14,858)
Increase in litigation payable	140,000	-
(Increase) decrease in deferred revenue	(213,146)	1,923
Net cash provided by operating activities	5,122,401	681,893
Cash Flows From Investing Activities		
Proceeds from sale of equipment	94	20,234
Purchase of property and equipment	(353,537)	(316,277)
Construction in progress expenditures	(215,686)	(8,337)
Net cash used in investing activities	(569,129)	(304,380)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(1,645,285)	(292,606)
Net cash used in financing activities	(1,645,285)	(292,606)
Net increase in cash and cash equivalents	2,907,987	84,907
Cash, beginning of year	901,997	817,090
Cash, end of year	\$ 3,809,984	\$ 901,997
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest, net of amounts capitalized	\$ 87,605	\$ 117,132
Supplemental Disclosure of Non-Cash Investing Activities:		
Gifts of property and equipment	\$ 16,300	\$ 14,327

**The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010**

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Animal Foundation (the "Foundation") was incorporated in March, 1978. The Animal Foundation is a private, non-profit, multi-service agency dedicated to making a difference in the lives of animals in the Las Vegas Valley. To promote the humane treatment of animals, the Foundation operates the Valley's largest open-admission shelter, lost and found services, rabies observation, foster home and adoption services, an affordable vaccination clinic, low-cost spaying and neutering services, community education and humane and sensitive euthanasia.

The Foundation receives most of its revenues and support from the Southern Nevada region, with approximately 32% and 61% of the total support being collectively generated from contracts with the City of Las Vegas, the City of North Las Vegas and Clark County during 2011 and 2010, respectively.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of FASB ASC 958 (formerly SFAS No. 117). Under FASB ASC 958, the Foundation 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. The Foundation's unrestricted net assets as of December 31, 2011 and 2010 were approximately 97% and 95%, respectively. The remaining net assets at December 31, 2011 and 2010 were primarily restricted for use on the building project.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Restricted cash are mainly for future building construction and improvements.

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.

Contributions Receivable – Irrevocable Trust

In September 2010, the Foundation received a beneficial interest in an irrevocable trust. The assets for the contributions receivable consists of commissions and is managed by a trustee. The contributions receivable is reported at fair value, which is estimated using the Foundation's 20% interest in the principal balance of the receivable.

The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Notes Receivable

In June 2010, the Foundation received a distribution of assets from an irrevocable trust consisting of two deeds of trust. The notes receivable associated with the trust deeds is reported at fair value estimated using the Foundation's 20% interest in the principal balance of the receivable.

Donated Materials and Services

Donated supplies, and other non-cash donations are recorded as contributions at their estimated fair values at the date of donation.

The Foundation uses volunteers in all of its various programs. Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or would have been purchased if not provided by contribution, and which require specialized skills provided by individuals possessing such skills.

Functional Expense Allocation

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

Income Tax Status

In February 1979, the Foundation was granted an exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Property and Equipment

The Foundation capitalizes most property and equipment acquisitions in excess of \$1,000. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Computers and software	3-5
Furniture and equipment	3-7
Building and leasehold improvements	10-39

The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Restricted and Unrestricted Revenue and Support

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

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

Allowance for Uncollectible Accounts

The Foundation uses the allowance method to account for uncollectible accounts receivable balances. Under the allowance method, if needed, an estimate of uncollectible customer balances is made based upon expected actual write-offs. The factor used to establish an allowance include whether the balance is significant. Accounts are considered past due once the unpaid balance is 90 days or more outstanding, unless payment terms are extended by contract. Management has determined that \$4,742 and \$11,960 of accounts receivable are a reasonable estimate for uncollectable balances at December 31, 2011 and 2010, respectively.

Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising costs amounted to \$126,414 and \$104,018 for the years ended December 31, 2011 and 2010, respectively.

Cash Concentration Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2011 and 2010, the Foundation had funds on deposit in excess of the federally insured limits in the amount of \$0 and \$286,014, respectively. The Foundation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Inventory

The Foundation maintains an inventory of supplies used primarily in the operations of the clinic and the shelter. Inventory consists of items such as vaccines, microchips, medications and surgical supplies. Inventory is reported at the lower of cost or market. At December 31, 2011 and 2010, management considered the cost of inventory to be approximately equal to market value.

Asset Retirement Obligations

The Foundation has reviewed its long-lived asset accounts to determine if the Foundation needed to recognize any obligations related to the future retirement of assets. The Foundation has determined that no such potential future obligations may exist that would require presentation in conformity with ASC 410 (formerly Statement of Financial Accounting Standards No. 143) issued by the Financial Accounting Standards Board.

The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Reclassifications

Certain amounts for the year ended December 31, 2010 have been reclassified in these comparative financial statements to conform with the current year presentation. These reclassifications had no effect on the increase or decrease in net assets.

Note 2. Pledges Receivable

Unconditional pledges or promises to give are recognized as revenues or gains in the period promised and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional pledges or promises to give are recognized when the conditions on which they depend are substantially met.

Pledges receivable represents promises to pay from three donors. The Foundation has a total of \$507,600 and \$507,500 of pledges receivable as of December 31, 2011 and 2010 with \$0 to be collected within one year. During the year ended December 31, 2011 and 2010, no payments on the pledges were made. The Foundation has received assurances that they are still collectable therefore no allowance for uncollectible pledges were made. The Foundation recognized the estimated present value of \$483,536 and \$483,436 during the years ended December 31, 2011 and 2010, respectively, with the corresponding discounts of \$24,064 to be amortized over the life of the receivable.

Note 3. Property and Equipment

Property and equipment at December 31, 2011 and 2010 are as follows:

	2011	2010
Buildings	\$ 20,345,347	\$ 20,217,906
Computers and software	112,799	102,956
Furniture and equipment	774,166	550,682
Leasehold improvements	22,117	22,117
	<u>21,254,429</u>	<u>20,893,661</u>
Less: Accumulated depreciation	(3,876,289)	(3,263,906)
Total property and equipment	<u>\$ 17,378,140</u>	<u>\$ 17,629,755</u>

Depreciation expense was \$614,650 and \$589,510 for the years ended December 31, 2011 and 2010, respectively.

The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010

Note 4. Building Expansion Project

The Foundation has resumed plans to expand its facilities. It has started a capital campaign funding project to run through 2012 and beyond to fund it. Phase III of the expansion plan is expected to include completion of the barn, a cat adoption center, low cost vet clinic and administrative offices.

As of December 31, 2011 and 2010, costs of approximately \$331,987 and \$116,301 respectively have been capitalized to the construction in progress account. There was no construction interest capitalized during 2011 and 2010.

Note 5. Land Held for Investments

The Foundation holds, as investments, 20% interests in various parcels of land bequeathed to the Foundation as of August, 2009. The estimated fair value of the real estate based on county assessments was approximately \$216,940 as of December 31, 2011 and 2010.

Note 6. Commitments and Contingencies

The Foundation used to rent modular facilities for use at its campus on a month to month basis. An agreement to purchase the modular facilities was entered into and completed by March 22, 2010. Rent expense for the years ended December 31, 2011 and 2010 was \$0 and \$4,383, respectively.

The Foundation leases office equipment under non-cancelable operating lease agreements expiring through 2016.

The following is a schedule of minimum future lease obligations under the above leases as of December 31, 2011:

<u>Years ending December 31,</u>	
2012	\$ 11,220
2013	9,852
2014	5,557
2015	3,666
2016	648
	<u>\$ 30,943</u>

The Animal Foundation
Notes to the Financial Statements
December 31, 2011 and 2010

Note 7. Long-Term Debt

	<u>2011</u>	<u>2010</u>
Note payable to City National Bank, payments of \$34,145 including interest at 6.4% on the outstanding balance. It was paid early and in full before maturity on November 10, 2011.	\$ -	\$ 1,645,285
Less: current portion	-	(312,134)
	<u>\$ -</u>	<u>\$ 1,333,151</u>

Interest expense was \$87,605 and \$117,132 for the years ended December 31, 2011 and 2010, respectively.

Note 8. Restrictions on Net Assets

Temporary restrictions on net assets at the end of 2011 and 2010 are primarily related to funds pledged for the construction of the cat building and the resurfacing of the building floors. The Foundation intends to construct a cat building to provide a separate facility for the cats. To fund the construction, the Foundation has a commitment for a pledge of approximately \$507,600 and intends on organizing a capital campaign during the next year.

Net assets were restricted for the following purposes as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Temporarily restricted:		
Building fund	\$ 576,836	\$ 676,536
Bungalow maintenance	-	3,609
Floor resurfacing	-	95,835
	<u>\$ 576,836</u>	<u>\$ 775,980</u>

Note 9. In-Kind Donations

The Foundation receives in-kind donations for the use of the city land, which the building and parking lot occupy. The Foundation also receives in-kind donations for dog and cat food, vaccines, and various animal care supplies provided by various suppliers. The values of these donations have been included in revenue and other support with a corresponding charge to Facilities Donated totaling \$197,376 for both years ended December 31, 2011 and 2010, and to Animal Care expenses for \$228,744 and \$127,979, respectively. Other donations of equipment and supplies, not of an animal care nature, totaled \$17,600 and \$16,327 for the year ended December 31, 2011 and 2010, respectively.

The Foundation also received in-kind donations of advertising, legal and other services totaling \$112,884 and \$100,697 for the years ended December 31, 2011 and 2010, respectively. The values of these donations have been included in revenue and other support. A corresponding charge was made to advertising, legal, printing & stationery and fundraising events expenses for the advertising and related services as appropriate.

Note 10. Shelter Services Agreements

The Animal Foundation is the contract provider of care and shelter for animals received from the City of North Las Vegas Animal Control, City of Las Vegas Animal Control, and Clark County Animal Control. The Shelter Service Agreements were renegotiated and commenced on May 21, 2008 through June 30, 2015. Collectively, the three jurisdictions agreed to fund the Foundation 60% of the animal care and shelter expenses. The contract is subject to an annual rate adjustment on January 1, 2010, and each succeeding January 1, based on the lower of five (5) percent or the Consumer Price Index (CPI) on an October-to-October basis. The Shelter Service Agreement entered into with the various agencies is as follows:

The agreement with the City of North Las Vegas Animal Control ("NLVAC") calls for a yearly payment to the Foundation of \$604,568, or monthly payment of \$50,381. Additionally, NLV had agreed to pay the Foundation \$50,000 per year or \$4,167 per month for the construction and expansion of the shelter, but this agreement expired June, 2011. The total compensation and construction payments as of December 31, 2011 and 2010, including CPI adjustments, were \$661,931 and \$669,513, respectively.

The agreement with the City of Las Vegas Animal Control ("CLVAC") requires a yearly payment of \$1,521,805 or a monthly payment of \$126,817. The compensation payments as of December 31, 2011 and 2010, including CPI adjustments, were \$1,520,255 and \$1,512,111, respectively.

The agreement with Clark County Animal Control ("CCAC") calls for a yearly payment to the Foundation of \$1,582,632, or monthly payment of \$131,886. Additionally, CCAC had agreed to pay the Foundation \$400,000 per year or \$33,333 per month for the construction and expansion of the shelter, but this agreement expired June, 2011. The compensation and construction payments as of December 31, 2011 and 2010, including CPI adjustments, were \$1,886,693 and \$2,090,353, respectively.

Note 11. Litigation

During the year ended December 31, 2011, a lawsuit was filed against the Foundation by a former employee. The lawsuit requested both compensatory and punitive damages. Management has evaluated the likelihood of an unfavorable outcome to be fairly certain and has accrued expected litigation expenses related to this case for \$140,000 to be paid within the next year.

Note 12. Subsequent Events

The Foundation evaluates events or transactions that occur subsequent to year end for potential recognition or disclosure in the financial statements through the date which the financial statements are available to be issued. The financial statements were approved by management and available to be issued on March 2, 2012.