
The Animal Foundation

Financial Statements
December 31, 2010 and 2009



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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, 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 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, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity accounting principles generally accepted in the United States of America.

Gilmore & Gilmore, CPAs

Las Vegas, Nevada
April 11, 2011



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

	2010	2009
Assets		
Current Assets		
Cash and cash equivalents	\$ 639,527	\$ 572,240
Cash and cash equivalents - restricted	262,470	244,851
Accounts receivable, net of allowance of \$11,960 & \$0, respectively	10,925	20,202
Contributions receivable - irrevocable trust (Note 1)	5,721	-
Pledges receivable, current portion (Note 2)	-	126,650
Inventory	51,925	33,422
Prepaid expenses	6,007	30,867
Assets held for sale	-	78,724
Total Current Assets	976,575	1,106,956
Property and equipment, net (Note 3)	17,629,755	17,891,506
Construction in progress (Note 4)	116,301	107,964
Land held for investments (Note 5)	216,940	674,000
Deposits	47,368	21,552
Contributions receivable, net of current portion (Note 1)	15,108	-
Notes receivable (Note 1)	23,451	-
Pledges receivable, net of current portion (Note 2)	483,436	375,936
Total Assets	\$ 19,508,934	\$ 20,177,914
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 200,308	\$ 201,327
Accrued liabilities	204,924	219,782
Deferred revenue	359,765	357,843
Current portion of notes payable (Note 7)	312,134	292,574
Total Current Liabilities	1,077,131	1,071,527
Notes payable less current portion (Note 7)	1,333,151	1,645,317
Total Liabilities	2,410,282	2,716,844
Commitments and Contingencies (Note 6)		
Net Assets		
Unrestricted	16,422,672	16,766,319
Temporarily restricted (Note 8)	675,980	694,751
Total Net Assets	17,098,652	17,461,070
Total Liabilities and Net Assets	\$ 19,508,934	\$ 20,177,914

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

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

	2010	2009
Unrestricted Net Assets		
Revenue, gains and other support	\$ 2,877,373	\$ 3,343,287
Service contract revenue	4,271,977	4,282,153
Unrealized loss on investments (Note 5)	(457,060)	-
Net assets released from restrictions	281,536	11,070
Total Revenues, Gains and Other Support	6,973,826	7,636,510
Expenses		
Program services	6,161,552	6,055,466
Management and general	850,564	901,220
Fundraising	305,357	114,154
Total Expenses	7,317,473	7,070,840
Increase (Decrease) in Unrestricted Net Assets	(343,647)	565,670
Temporarily Restricted Net Assets		
Building fund contributions	300	300
Contributions	262,465	29,585
Less: Net assets released from restriction	(281,536)	(11,070)
Increase (Decrease) in Temporarily Restricted Net Assets	(18,771)	18,815
Increase (Decrease) in Net Assets before Impairment of Equipment	(362,418)	584,485
Impairment of equipment	-	(1,685,932)
(Decrease) in Net Assets	(362,418)	(1,101,447)
Net Assets at Beginning of the Year	17,461,070	18,562,517
Net Assets at End of Year	\$ 17,098,652	\$ 17,461,070

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

	ADMIN- ISTRATION	ADOPTIONS	CLINIC
Animal care expense	\$ 5,701	\$ 125,426	\$ 546,063
Advertising	-	4,827	3,572
Advertising donated	-	18,204	15,763
Auto and equipment fuel	-	1,722	47
Auto repairs	-	765	200
Auto rental	-	-	-
Bad debt	-	-	-
Bank service charge	472	-	-
Cash over/short	34	331	(309)
Credit card charges	-	15,086	6,204
Consulting services	15,760	-	-
Contract labor	-	4,522	30
Contribution expenses	1,000	-	-
Building maintenance	7,879	52,623	46,183
Computer supplies	7,012	907	4,049
Depreciation	9,012	275,682	42,137
Dues & subscriptions	3,326	274	2,579
Employee expense	715,302	695,175	902,619
Equipment, furniture, & small tools expense	6,854	9,683	10,104
Equipment lease	1,233	3,331	1,176
Equipment repairs	440	1,979	2,618
Insurance	830	17,515	6,563
Interest expense	-	78,479	-
Janitorial expense	183	5	3
Land lease	4,521	67,856	23,922
Landscape & grounds maintenance	7	685	35
Late charges/penalties	298	1,050	40
Licenses & permits	350	307	3,651
Loss on disposal of assets	809	933	249
Maintenance agreements	138	3,323	188
Meals & entertainment	848	133	19
Miscellaneous	5,450	-	-
Office supplies & expense	12,898	4,537	4,482
Postage & freight	350	453	411
Printing & stationary	311	1,511	999
Printing & stationary donated	-	-	-
Professional fees	27,191	-	-
Property taxes	2,067	12	9
Space lease	3,987	20,417	79
Safety regulations	973	3,166	1,416
Security	141	160	123
Storage	-	204	204
Travel expense	-	52	327
Utilities	15,187	108,291	37,401
Fundraising events expenses	-	2,874	-
	<u>\$ 850,564</u>	<u>\$ 1,522,500</u>	<u>\$ 1,663,156</u>

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

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

	SHELTER	FUNDRAISING	TOTAL
Animal care expense	\$ 120,087	\$ 300	\$ 797,577
Advertising	2,560	8,391	19,350
Advertising donated	47,288	3,413	84,668
Auto and equipment fuel	2,581	-	4,350
Auto repairs	1,147	-	2,112
Auto rental	-	80	80
Bad debt	12,419	-	12,419
Bank service charge	102	48	622
Cash over/short	721	(101)	676
Credit card charges	4,866	1,675	27,831
Consulting services	-	9,000	24,760
Contract labor	88,397	379	93,328
Contribution expenses	-	-	1,000
Building maintenance	96,379	561	203,625
Computer supplies	15,396	768	28,132
Depreciation	262,249	429	589,509
Dues & subscriptions	216	300	6,695
Employee expense	1,898,070	95,506	4,306,672
Equipment, furniture, & small tools expense	6,287	-	32,928
Equipment lease	4,759	444	10,943
Equipment repairs	5,126	-	10,163
Insurance	27,007	60	51,975
Interest expense	38,653	-	117,132
Janitorial expense	9	-	200
Land lease	100,753	325	197,377
Landscape & grounds maintenance	365	-	1,092
Late charges/penalties	-	-	1,388
Licenses & permits	4,403	-	8,711
Loss on disposal of assets	59,344	-	61,335
Maintenance agreements	982	11	4,642
Meals & entertainment	159	821	1,980
Miscellaneous	-	-	5,450
Office supplies & expense	15,429	222	37,568
Postage & freight	1,031	42	2,287
Printing & stationary	1,070	2,650	6,541
Printing & stationary donated	-	-	-
Professional fees	-	-	27,191
Property taxes	24	-	2,112
Space lease	210	-	24,693
Safety regulations	7,088	36	12,679
Security	577	92	1,093
Storage	612	-	1,020
Travel expense	530	-	909
Utilities	149,000	2,284	312,163
Fundraising events expenses	-	177,621	180,495
	<u>\$ 2,975,896</u>	<u>\$ 305,357</u>	<u>\$ 7,317,473</u>

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

The Animal Foundation
Statements of Functional Expenses
For the Year Ending December 31, 2009

	ADMIN- ISTRATION	ADOPTIONS	CLINIC
Animal care expense	\$ 4,534	\$ 160,065	\$ 422,573
Advertising	4	4,020	3,887
Advertising donated	-	19,804	19,804
Auto and equipment fuel	98	1,229	-
Auto repairs	-	1,734	-
Auto rental	73	-	-
Bad debt	-	155	-
Bank service charge	733	-	-
Cash over/short	(159)	2,891	(1,075)
Credit card charges	-	10,736	7,312
Consulting services	1,075	16,890	-
Contract labor	-	800	-
Contribution expenses	-	-	-
Building maintenance	19,856	52,494	23,373
Computer supplies	6,178	1,211	5,405
Depreciation	6,871	298,728	25,016
Dues & subscriptions	1,442	14	615
Employee expense	778,775	731,924	891,802
Equipment, furniture, & small tools expense	8,720	5,173	3,694
Equipment lease	988	2,216	968
Equipment repairs	37	1,722	2,606
Insurance	1,343	23,363	7,913
Interest expense	50	90,763	-
Janitorial expense	-	-	2,291
Land lease	4,445	66,723	23,522
Landscape & grounds maintenance	70	5,014	418
Late charges/penalties	333	-	-
Licenses & permits	355	173	930
Loss on disposal of assets	-	-	-
Maintenance agreements	164	2,871	208
Meals & entertainment	1,489	-	97
Miscellaneous	-	189	-
Office supplies & expense	11,048	3,754	1,297
Postage & freight	371	450	811
Printing & stationary	1,054	1,337	65
Printing & stationary donated	125	79	13
Professional fees	18,461	-	5,004
Property tax	1,330	-	-
Space lease	18,296	39,821	366
Safety regulations	-	204	204
Security	2,705	4,081	3,083
Storage	89	229	89
Travel expense	1,244	1,492	1,378
Utilities	9,023	126,421	39,852
Fundraising events expenses	-	415	-
	<u>\$ 901,220</u>	<u>\$ 1,679,185</u>	<u>\$ 1,493,521</u>

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

The Animal Foundation
 Statements of Functional Expenses (continued)
 For the Year Ending December 31, 2009

	SHELTER	FUNDRAISING	TOTAL
Animal care expense	\$ 143,689	\$ -	\$ 730,861
Advertising	6,594	480	14,985
Advertising donated	59,054	-	98,662
Auto and equipment fuel	1,597	-	2,924
Auto repairs	2,721	-	4,455
Auto rental	-	-	73
Bad debt	-	-	155
Bank service charge	-	-	733
Cash over/short	620	(370)	1,907
Credit card charges	4,348	1,207	23,603
Consulting services	78,318	-	96,283
Contract labor	15,559	-	16,359
Contribution expenses	-	-	-
Building maintenance	114,102	901	210,726
Computer supplies	14,805	158	27,757
Depreciation	262,025	1,324	593,964
Dues & subscriptions	1,477	133	3,681
Employee expense	1,744,514	43,207	4,190,222
Equipment, furniture, & small tools expense	11,288	-	28,875
Equipment lease	2,904	417	7,493
Equipment repairs	29,047	-	33,412
Insurance	36,324	-	68,943
Interest expense	44,704	-	135,517
Janitorial expense	9,634	-	11,925
Land lease	99,069	319	194,078
Landscape & grounds maintenance	1,756	-	7,258
Late charges/penalties	-	-	333
Licenses & permits	3,052	185	4,695
Loss on disposal of assets	-	-	-
Maintenance agreements	648	11	3,902
Meals & entertainment	-	129	1,715
Miscellaneous	298	-	487
Office supplies & expense	7,257	841	24,197
Postage & freight	963	3,115	5,710
Printing & stationary	1,970	3,710	8,136
Printing & stationary donated	346	438	1,001
Professional fees	-	-	23,465
Property tax	-	-	1,330
Space lease	1,003	-	59,486
Safety regulations	612	-	1,020
Security	6,373	110	16,352
Storage	268	64	739
Travel expense	2,373	-	6,487
Utilities	173,448	850	349,594
Fundraising events expenses	-	56,925	57,340
	<u>\$ 2,882,760</u>	<u>\$ 114,154</u>	<u>\$ 7,070,840</u>

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

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

	2010	2009
Cash Flows From Operating Activities		
Decrease in net assets	\$ (362,418)	\$ (1,101,447)
Changes in working capital components:		
Depreciation	589,510	593,964
Loss on disposal of equipment	61,335	1,685,932
Provision for allowance of doubtful accounts	12,419	-
Unrealized loss on investments	457,060	-
Noncash contributions	(14,327)	(697,030)
(Increase) decrease in accounts receivable	(3,142)	9,214
Increase in contributions receivable	(20,829)	-
(Increase) decrease in pledge receivables	19,150	(19,150)
Increase in notes receivable	(23,451)	-
Decrease in prepaid expenses	24,860	32,188
Increase in deposits	(25,816)	(21,552)
Increase in inventories	(18,503)	(446)
Decrease in accounts payable	(1,020)	(52,320)
Increase (decrease) in accrued liabilities	(14,858)	99,530
Increase in deferred revenue	1,923	5,050
Net cash provided by operating activities	681,893	533,933
Cash Flows From Investing Activities		
Proceeds from sale of equipment	20,234	-
Purchase of property and equipment	(316,277)	(26,215)
Construction in progress expenditures	(8,337)	(50,163)
Net cash used in investing activities	(304,380)	(76,378)
Cash Flows From Financing Activities		
Principal payments on long-term debt	(292,606)	(274,270)
Net cash used in financing activities	(292,606)	(274,270)
Net increase in cash and cash equivalents	84,907	183,285
Cash, beginning of year	817,090	633,805
Cash, end of year	\$ 901,997	\$ 817,090
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest, net of amounts capitalized	\$ 117,132	\$ 135,517
Supplemental Disclosure of Non-Cash Investing Activities:		
Gifts of land	\$ -	\$ 674,000
Gifts of property and equipment	\$ 14,327	\$ 23,030

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

The Animal Foundation
Notes to the Financial Statements
December 31, 2010 and 2009

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 61% and 56% 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 2010 and 2009, 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. As of December 31, 2010 and 2009, approximately 96% of the Foundation's net assets were unrestricted. The remaining net assets at December 31, 2010 and 2009 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 for future building 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, 2010 and 2009

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, 2010 and 2009

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. Factors used to establish an allowance include the credit quality of the customer and 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. At December 31, 2010, management has determined that \$11,959 of accounts receivable is a reasonable estimate for uncollectable balances. At December 31, 2009, management had determined that there was no allowance required.

Advertising Costs

The Foundation expenses advertising costs as incurred. Advertising costs amounted to \$104,018 and \$113,648 for the years ended December 31, 2010 and 2009, respectively.

Cash Concentration Risk

The Foundation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. At December 31, 2010 and 2009 the Foundation had funds on deposit in excess of the federally insured limits in the amount of \$650,477 and \$565,216, 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, 2010 and 2009, 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

The Animal Foundation
Notes to the Financial Statements
December 31, 2010 and 2009

Note 1. Summary of Significant Accounting Policies (Continued)

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.

Impairment or Disposal of Long-Lived Assets

The Foundation's management has determined that the Foundation's methods of recording impairments and/or disposal of long-lived assets are in conformity with ASC 360-10 (formerly the Statement of Financial Accounting Standards No. 144 issued by the Financial Accounting Standards Board). Management decommissioned the living machine water purification system during the year ended December 31, 2009. The asset has no value to the Foundation and impairment loss was realized for the remaining book value of the asset of \$1,685,932. There was no impairment loss in the year ended December 31, 2010.

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 two donors. The Foundation has a total of \$483,436 and \$502,586 of pledges receivable as of December 31, 2010 and 2009 with \$0 and \$126,650 to be collected within one year, respectively. During the year ended December 31, 2010 and 2009, 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 \$483,436 and \$502,586 during the years ended December 31, 2010 and 2009, 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, 2010 and 2009 are as follows:

	2010	2009
Buildings	\$ 20,217,906	\$ 20,127,958
Computers and software	102,956	75,670
Furniture and equipment	550,682	350,128
Leasehold improvements	22,117	16,062
	<u>20,893,661</u>	<u>20,569,818</u>
Less: Accumulated depreciation	(3,263,906)	(2,678,312)
Total property and equipment	<u>\$ 17,629,755</u>	<u>\$ 17,891,506</u>

Depreciation expense was \$589,510 and \$593,964 for the years ended December 31, 2010 and 2009, respectively.

The Animal Foundation
Notes to the Financial Statements
December 31, 2010 and 2009

Note 4. Building Expansion Project

The Foundation has resumed plans to expand its facilities. 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, 2010 and 2009, costs of approximately \$116,301 and \$107,964 respectively have been capitalized to the construction in progress account. There was no construction interest capitalized during 2010 and 2009.

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 \$674,000 as of December 31, 2009. Since that time, the Foundation has obtained a written appraisal as to the fair market value of their 20% interest in the parcels of land which approximate \$216,940 as of December 31, 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, 2010 and 2009 was \$24,693 and \$59,486, respectively.

The Foundation leases office equipment under non-cancelable operating lease agreements expiring through 2015.

The following is a schedule of minimum future lease obligations under the above leases as of December 31, 2010:

<u>Years ending December 31,</u>	
2011	\$ 10,504
2012	9,208
2013	7,840
2014	3,736
2015	2,802
	<u>\$ 34,090</u>

The Animal Foundation
Notes to the Financial Statements
December 31, 2010 and 2009

Note 7. Long-Term Debt

	<u>2010</u>	<u>2009</u>
Note payable to City National Bank, payments of \$34,145 including interest at 6.4% on the outstanding balance through July 2013. The note matures August 2013 with a balloon payment for the balance of the principal plus unpaid, accrued interest. The note is guaranteed by a board member.	\$ 1,645,285	\$ 1,937,981
Less: current portion	(312,134)	(292,574)
	<u>\$ 1,333,151</u>	<u>\$ 1,645,407</u>

Maturity requirements on long-term debt are as follows:

Year ending December 31,	
2011	\$ 312,134
2012	332,762
2013	1,000,389
	<u>\$ 1,645,285</u>

Interest expense was \$117,132 and \$135,517, for the years ended December 31, 2010 and 2009, respectively.

Note 8. Restrictions on Net Assets

Temporary restrictions on net assets at the end of 2010 and 2009 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 \$576,000 and intends on organizing a capital campaign within the next few years.

Net assets were restricted for the following purposes as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Temporarily restricted:		
Building fund	\$ 576,536	\$ 576,236
Bungalow maintenance	3,609	-
Floor resurfacing	95,835	-
Spay/ neuter clinic	-	118,515
	<u>\$ 675,980</u>	<u>\$ 694,751</u>

**The Animal Foundation
Notes to the Financial Statements
December 31, 2010 and 2009**

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 Land Rent totaling \$197,376 and \$194,077 for the years ended December 31, 2010 and 2009, respectively, and to Animal Care expenses for \$127,979 and \$161,527, respectively. Other donations of equipment and supplies, not of an animal care nature, totaled \$16,327 and \$23,030 for the year ended December 31, 2010 and 2009, respectively.

The Foundation also received in-kind donations of advertising, legal and other services totaling \$100,697 and \$111,222 for the years ended December 31, 2010 and 2009, 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 agrees to pay the Foundation \$50,000 per year or \$4,167 per month commencing May 21, 2008 until June, 2011 for the construction and expansion of the shelter. The total compensation and construction payments as of December 31, 2010 and 2009, including CPI adjustments, were \$669,513 and \$674,681, 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, 2010 and 2009, including CPI adjustments, were \$1,512,111 and \$1,572,434, 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 agrees to pay the Foundation \$400,000 per year or \$33,333 per month commencing May 21, 2008 until June, 2011 for the construction and expansion of the shelter. The compensation and construction payments as of December 31, 2010 and 2009, including CPI adjustments, were \$2,090,353 and \$2,035,038, respectively.

Note 11. Subsequent Events

The Foundation has evaluated subsequent events through April 11, 2011, which is the date the financial statements were available to be issued.

Note 12. Subsequent Events (continued)

The Foundation, subsequent to year end, was notified of additional unrestricted bequests from an irrevocable trust. These bequests consist of a 20% interest in cash, jewelry and stock interests in a corporation amounting to approximately \$66,000.