

EIN #93-0577975

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

WILLAMETTE HUMANE SOCIETY

June 30, 2011 and 2010

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CONTENTS

	Page
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS	1
FINANCIAL STATEMENTS	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3 - 4
Statements of Cash Flows	5 - 6
Statements of Functional Expenses	7
Notes to Financial Statements	8 - 19

HOOTS, BAKER & WILEY

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Report of Independent Certified Public Accountants

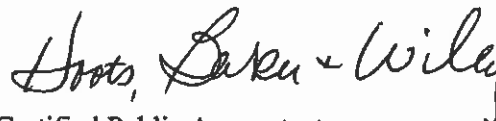
Board of Directors
Willamette Humane Society

We have audited the accompanying statements of financial position of Willamette Humane Society (a non-profit organization) as of June 30, 2011, and 2010, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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.

Management records revenue from pledges and bequests when cash or property is received, rather than when pledged or the bequests become irrevocable. Accounting principles generally accepted in the United States of America require that pledges and bequests should be recorded at the time pledges are made and bequests are known. It was not practical to determine the effects of the unrecorded pledges and bequests on the financial statements.

In our opinion, except for the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Willamette Humane Society as of June 30, 2011, and 2010, and the results of its operations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

Salem, Oregon
October 21, 2011

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Willamette Humane Society

STATEMENTS OF FINANCIAL POSITION
June 30,

ASSETS

	2011	2010
ASSETS		
Cash and cash equivalents (note A3)	\$ 983,704	\$ 558,662
Investments (note B)	239,944	216,128
Annuity	152,035	123,984
Accounts receivable (note A8)	14,933	6,174
Inventories (note A5)	30,790	70,356
Prepaid expenses	22,420	14,115
Property and equipment (notes A6 and C)	1,973,587	2,079,092
Total assets	\$ 3,417,413	\$ 3,068,511

LIABILITIES AND NET ASSETS

	2011	2010
LIABILITIES		
Accounts payable	\$ 17,056	\$ 33,271
Accrued vacation	40,072	38,865
Unearned revenue and deposits	23,447	
Accrued payroll and payroll taxes	6,023	20,100
Total liabilities	86,598	92,236
COMMITMENTS (note D)		
NET ASSETS (notes A2 and G)		
Unrestricted net assets	2,797,257	2,466,569
Temporarily restricted net assets	222,368	198,516
Permanently restricted net assets	311,190	311,190
Total net assets	3,330,815	2,976,275
Total liabilities and net assets	\$ 3,417,413	\$ 3,068,511

The accompanying notes are an integral
part of these statements

Willamette Humane Society

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30,

	2011			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and support				
General contributions	\$ 1,449,534	\$ 26,121	\$	\$ 1,475,655
County contracts	20,094			20,094
Program services	169,675			169,675
Spay/neuter clinic	228,116			228,116
Interest and dividends	8,750			8,750
Sale of investments	92,997			92,997
Cost of investments	(81,561)			(81,561)
Sale of fixed assets	1,775			1,775
Cost of fixed assets	(462)			(462)
Fund raising event revenue	164,587			164,587
Fund raising event costs	(49,171)			(49,171)
Sale of inventory items	528,263			528,263
Cost of inventory items	(163,279)			(163,279)
Pet adoption revenue	204,826			204,826
Behavior training	35,686			35,686
Parking lot rental	11,955			11,955
Miscellaneous	8,316			8,316
Investment gain (loss)	15,724	26,176		41,900
	2,645,825	52,297		2,698,122
Net assets released from restrictions	28,445	(28,445)		
Total revenues, gains and support	2,674,270	23,852		2,698,122
Expenses and losses				
Program services	1,775,820			1,775,820
Management and general	138,614			138,614
Fund raising	429,148			429,148
Total expenses	2,343,582			2,343,582
CHANGE IN NET ASSETS	330,688	23,852		354,540
Net assets at beginning of year	2,466,569	198,516	311,190	2,976,275
Net assets at end of year	\$ 2,797,257	\$ 222,368	\$ 311,190	\$ 3,330,815

The accompanying notes are an integral
part of these statements

Willamette Humane Society

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS - CONTINUED
Year ended June 30,

	2010			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains and support				
General contributions	\$ 1,063,839	\$ 138,055	\$	\$ 1,201,894
County contracts	24,237			24,237
Program services	212,996			212,996
Spay/neuter clinic	88,392			88,392
Interest and dividends	18,124			18,124
Sale of investments	549,033			549,033
Cost of investments	(538,761)			(538,761)
Sale of fixed assets				
Cost of fixed assets	(3,494)			(3,494)
Fund raising event revenue	102,000			102,000
Fund raising event costs	(30,878)			(30,878)
Sale of inventory items	547,805			547,805
Cost of inventory items	(188,543)			(188,543)
Pet adoption revenue	150,042			150,042
Behavior training	28,201			28,201
Parking lot rental	11,708			11,708
Miscellaneous	17,707			17,707
Investment gain (loss)	502	16,449		16,951
	<u>2,052,910</u>	<u>154,504</u>		<u>2,207,414</u>
Net assets released from restrictions	<u>469,953</u>	(<u>469,953</u>)		
Total revenues, gains and support	<u>2,522,863</u>	(<u>315,449</u>)		<u>2,207,414</u>
Expenses and losses				
Program services	1,855,402			1,855,402
Management and general	227,474			227,474
Fund raising	491,697			491,697
Total expenses	<u>2,574,573</u>			<u>2,574,573</u>
CHANGE IN NET ASSETS	(51,710)	(315,449)		(367,159)
Net assets at beginning of year	<u>2,518,279</u>	<u>513,965</u>	<u>311,190</u>	<u>3,343,434</u>
Net assets at end of year	<u>\$ 2,466,569</u>	<u>\$ 198,516</u>	<u>\$ 311,190</u>	<u>\$ 2,976,275</u>

The accompanying notes are an integral part of these statements

Willamette Humane Society

STATEMENTS OF CASH FLOWS
Year ended June 30,
Increase (Decrease) in Cash and Cash Equivalents

	2011	2010
Cash flows from operating activities		
Cash received from customers and donors	\$ 2,583,336	\$ 1,975,444
Cash paid to suppliers and employees	(2,174,623)	(2,396,053)
Interest received	<u>8,750</u>	<u>18,124</u>
Net cash provided (used) by operating activities	<u>417,463</u>	(<u>402,485</u>)
Cash flows from investing activities		
Purchase of investments	(84,954)	(134,528)
Purchase of property and equipment	(2,842)	(373,579)
Proceeds from sales of fixed assets	1,775	
Proceeds from sales of investments	<u>93,600</u>	<u>562,342</u>
Net cash provided (used) by investing activities	<u>7,579</u>	<u>54,235</u>
Cash flows from financing activities		
Proceeds from contributions restricted for building	<u> </u>	<u>100,349</u>
Net cash provided (used) by financing activities	<u> </u>	<u>100,349</u>
Net increase (decrease) in cash and cash equivalents	425,042	(247,901)
Cash and cash equivalents at beginning of year	<u>558,662</u>	<u>806,563</u>
Cash and cash equivalents at end of year	<u>\$ 983,704</u>	<u>\$ 558,662</u>

Willamette Humane Society

STATEMENTS OF CASH FLOWS - CONTINUED
 Year ended June 30,
 Increase (Decrease) in Cash and Cash Equivalents

	<u>2011</u>	<u>2010</u>
Reconciliation of changes in net assets to net cash provided (used) by operating activities		
Change in net assets	\$ <u>354,540</u>	(\$ <u>367,159</u>)
Adjustments to reconcile changes in net assets to Net cash provided (used) by operating activities		
Depreciation	107,885	102,182
Net realized/unrealized (gains) losses on investments	(60,513)	(34,564)
Net realized/unrealized (gains) losses on sale of assets	(1,313)	3,494
Contributions restricted for long-term purposes		(100,349)
Change in assets and liabilities		
(Increase) decrease in accounts receivable	(8,759)	206
(Increase) decrease in inventory	39,566	26,170
(Increase) decrease in prepaid expenses	(8,305)	(3,979)
Increase (decrease) in accounts payable and accrued expenses	(<u>5,638</u>)	(<u>28,486</u>)
Total adjustments	<u>62,923</u>	(<u>35,326</u>)
Net cash provided (used) by operating activities	\$ <u>417,463</u>	(\$ <u>402,485</u>)
Supplemental cash flows data		
Securities contributed	\$ <u>4,772</u>	\$ <u>4,373</u>
In-kind contributions of goods and services	\$ <u>255,077</u>	\$ <u>309,395</u>

The accompanying notes are an integral part of these statements

Willamette Humane Society

STATEMENTS OF FUNCTIONAL EXPENSES
Year ended June 30,

	2011				
	Program Services	Supporting Services			Total Expenses
	Animal Care	Management and General	Fund Raising	Total	
Salaries and wages	\$ 805,686	\$ 75,184	\$ 189,622	\$ 264,806	\$ 1,070,492
Payroll taxes and benefits	<u>175,012</u>	<u>20,893</u>	<u>29,833</u>	<u>50,726</u>	<u>225,738</u>
Total salaries and related expenses	980,698	96,077	219,455	315,532	1,296,230
Accounting		13,000		13,000	13,000
Adoption expenses	14,887				14,887
Advertising	30,871		1,786	1,786	32,657
Contract Labor	34,181				34,181
Fund raising expenses			31,124	31,124	31,124
Insurance	17,438	3,130	3,572	6,702	24,140
Legal and professional	4,125	524		524	4,649
Micro chip expenses	12,662				12,662
Miscellaneous	26,692	2,001	11,088	13,089	39,781
Newsletter (note A12)	15,358		3,840	3,840	19,198
Office expenses	9,951	4,395	3,027	7,422	17,373
Repairs and maintenance	41,893	2,038	3,543	5,581	47,474
Rent	32,662	3,718	98,141	101,859	134,521
Spay and neuter certificates	249				249
Supplies	289,937	219	1,046	1,265	291,202
Telephone	6,982	544	3,084	3,628	10,610
Travel	802	118	225	343	1,145
Utilities	89,453	5,594	25,650	31,244	120,697
Veterinary	<u>89,917</u>				<u>89,917</u>
Total expenses before depreciation	1,698,758	131,358	405,581	536,939	2,235,697
Depreciation	<u>77,062</u>	<u>7,256</u>	<u>23,567</u>	<u>30,823</u>	<u>107,885</u>
	<u>\$ 1,775,820</u>	<u>\$ 138,614</u>	<u>\$ 429,148</u>	<u>\$ 567,762</u>	<u>\$ 2,343,582</u>

2010

	Program Services		Supporting Services		Total Expenses
	Animal Care	Management and General	Fund Raising	Total	
Salaries and wages	\$ 758,872	\$ 119,011	\$ 221,510	\$ 340,521	\$ 1,099,393
Payroll taxes and benefits	175,413	27,953	33,411	61,364	236,777
Total salaries and related expenses	934,285	146,964	254,921	401,885	1,336,170
Accounting		12,000		12,000	12,000
Adoption expenses	38,063				38,063
Advertising	22,051		2,368	2,368	24,419
Contract Labor	51,585				51,585
Fund raising expenses			61,536	61,536	61,536
Insurance	17,893	4,255	4,651	8,906	26,799
Legal and professional	321	16,636	748	17,384	17,705
Micro chip expenses	10,670				10,670
Miscellaneous	17,905	10,508	14,904	25,412	43,317
Newsletter (note A12)	19,306		4,826	4,826	24,132
Office expenses	10,700	4,578	6,521	11,099	21,799
Repairs and maintenance	41,802	7,525	1,952	9,477	51,279
Rent	25,360	12,667	95,404	108,071	133,431
Spay and neuter certificates	26,113				26,113
Supplies	294,510	177	1,425	1,602	296,112
Telephone	8,232	732	3,567	4,299	12,531
Travel	803	196	2,612	2,808	3,611
Utilities	85,474	7,084	28,553	35,637	121,111
Veterinary	160,008				160,008
Total expenses before depreciation	1,765,081	223,322	483,988	707,310	2,472,391
Depreciation	90,321	4,885	6,976	11,861	102,182
	\$ 1,855,402	\$ 228,207	\$ 490,964	\$ 719,171	\$ 2,574,573

The accompanying notes are an integral part of these statements

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. The Organization

Willamette Humane Society (formerly known as Humane Society of the Willamette Valley) is a non-profit organization formed in 1965. The purpose of the Organization is to promote the welfare of animals through leadership, education, and action. The Organization has three facilities. The first is the main facility, which houses the shelter, administration offices, and a retail store. The retail store operates as Davenports Den. The second houses a thrift store, which also sells some food and pet items for convenience. The third is approximately seventy percent thrift store and thirty percent retail and adoptions. The store is called Helping Paws. Donors and customers are concentrated in the greater Salem, Oregon area.

2. Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions of cash and other assets are reported as temporarily restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are those which are subject to the restrictions of the donor to be maintained in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Temporarily restricted net assets as of June 30, 2011, and 2010, are as follows:

	2011	2010
Purpose restrictions:		
Columbarium	\$ 30,000	\$ 30,000
S. Stone Scholarship	2,260	2,260
S. Rinehart Care of Dachshunds	1,839	3,468
DIG-Dog Improvement Group	5,333	6,474
Hanzel Grant for Spay/Neuter	12,629	20,000
Donor Development	5,158	10,000
Financial Aid Fund	4,511	
MBA Intern	4,912	
Clinic Equipment	1,536	
Bowser's Boo Bash	1,000	
Marion Polk Veterinary Association	700	
B. Earle Medical Care	152,490	126,314
	\$ 222,368	\$ 198,516

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Financial Statement Presentation - continued

Permanently restricted net assets as of June 30, 2011, and 2010, are as follows:

	<u>2011</u>	<u>2010</u>
Endowment Fund	\$ 80,991	\$ 80,991
OCF Endowment Fund	25,000	25,000
Mary Canfield Trust	<u>205,199</u>	<u>205,199</u>
	<u>\$ 311,190</u>	<u>\$ 311,190</u>

3. Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

There were no cash equivalents at June 30, 2011, and 2010.

The Organization maintains cash balances at several financial institutions located in Salem, Oregon. Interest bearing accounts are insured by the Federal Deposit Insurance Corporation and National Credit Union Association up to \$250,000 . The Organization's financial institutions are participating in the FDIC's Transaction Account Guarantee Program. Under that program, through December 31, 2012, all non-interest bearing checking accounts are fully guaranteed by the FDIC for the entire amount in the account. This coverage is in addition to, and separate from, the coverage available under the FDIC's general deposit insurance rules. At June 30, 2011, and 2010, the Organization had no uninsured cash balances.

4. Investments

The Organization maintains investments at several financial institutions with offices located in Oregon. Accounts at the institutions are insured by the Securities Investor Protection Corporation (SIPC) up to a ceiling of \$500,000 per customer, including a maximum of \$250,000 for cash claims. SIPC does not insure funds against loss of value, but insures them from broker theft or fraud. At June 30, 2011, and 2010, the Organization's uninsured securities balances totaled \$- and \$176,528.

5. Inventories

Inventories are stated at the lower of cost or market determined by the average cost method.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Property, Equipment and Depreciation

Property and equipment are stated at cost or at their estimated fair value at the date of donation.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, principally on the straight-line basis.

Additions and betterments of \$500 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

7. Donated Services

The Organization receives a substantial amount of services donated by volunteers. The Organization records contributed services if they meet the criteria for recognition under FASB ASC 958-605-50-1, *Contributed Services*. The Organization recognized \$104,790 and \$153,175 of donated services for advertising, veterinary care, professional fees, and other services during the years ended June 30, 2011, and 2010, respectively.

Volunteers also provided significant amounts of time to the Society's programs and fund raising campaigns throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met.

8. Accounts Receivable

Accounts receivable are reported at the amount management expects to collect or balances outstanding at year-end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that have not been collected by the time the financial statements are issued. The Organization currently does not classify accounts as past due and no interest is charged.

9. Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. An exemption from the State of Oregon corporation excise tax is provided by Oregon Revised Statutes 317.080(1). Therefore there is no provision for federal and state income taxes. Due to the receipt of parking lot rents, the Organization is required to file a 990-T Unrelated Business Income Tax return and could have tax due on this income. There is currently a net operating loss, which can be used to offset future years' income.

Management has analyzed tax positions and has concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for 2008 through 2010. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

11. Fair Value of Financial Instruments

The Organization adopted FAS 157 and FSP FAS 157-3, codified in the *Fair Value Measurements and Disclosures Topic of FASB ASC (ASC 820)*, effective June 30, 2009. FASB ASC 820 (1) creates a single definition of fair value, (2) establishes a framework for measuring fair value, and (3) expands disclosure requirements about items measured at fair value. It applies to both items recognized and reported at fair value in the financial statements. It does not change existing accounting rules governing what can or what must be recognized and reported at fair value in the financial statements, or disclosed at fair value in the notes to the financial statements.

FASB ASC 820 clarifies the definition of fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date (exit price). The exit price is based on the amount that the holder of the asset or liability would receive or need to pay in an actual transaction (or in a hypothetical transaction if an actual transaction does not exist) at the measurement date.

Fair value is generally determined based on quoted prices in active markets for identical assets or liabilities. However, if quoted market prices are not available, other valuation techniques that place a greater reliance on market data (observable inputs) or other estimates and assumptions (unobservable inputs) are used.

The FASB ASC 820 fair value hierarchy consists of three broad levels as follows:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 inputs that are either directly or indirectly observable (other market data).

Level 3 - Unobservable inputs developed using the Organization's estimates and assumptions, which reflect those that market participants would use.

The determination of where an asset or liability falls in the hierarchy requires significant judgment and depends on the lowest level input that is significant to the fair value measurements as a whole. The Organization evaluates the hierarchy disclosures annually and, based on various factors, it is possible that an asset or liability may be classified differently from year to year. However, the Organization expects that changes between different levels will be rare.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Fair Value of Financial Instruments - continued

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring and non-recurring basis, as well as the general classification pursuant to the valuation hierarchy.

Investments

When quoted prices are available in an active market, securities are classified within Level 1 of the fair value hierarchy. If quoted prices are not available or accessible, then fair values are estimated using pricing models, audit reports, SEC filings, recent trading activity, and subsequent trading activity; the fair value of securities estimated using one or more of these methods are classified within Level 2 of the fair value hierarchy. Included in investments is a beneficial interest in the assets of another not-for-profit for which readily marketable pricing is not necessarily available. Because this investment is not readily marketable, its estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such an investment existed. Such difference could be material.

The following table presents the financial instruments carried at fair value as of June 30, 2011, by ASC 820 valuation hierarchy defined above:

	<u>Level I</u>	<u>Level II</u>	<u>Level III</u>	<u>Total</u>
Assets:				
Cash held for investment	\$	\$	\$	\$
Mutual Funds				
Bond funds	67,836			67,836
Large value funds	6,937			6,937
Moderate allocation funds	15,477			15,477
Fixed income common trust		63,501		63,501
Stock common trust		61,502		61,502
Variable annuity		152,035		152,035
Oregon Community Foundation			24,691	24,691
Total	\$ 90,250	\$ 277,038	\$ 24,691	\$ 391,979

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Fair Value of Financial Instruments - continued

The following table is a roll forward of the combined balance sheet amounts for financial instruments classified by the Organization within Level 3 of the valuation hierarchy defined above:

	2011	2010
Fair value as of June 30,		
Beginning balance	\$ 21,280	\$ 20,138
Purchases		
Realized and unrealized gains	4,314	1,953
Investment income less fees	45	166
Distributions	(948)	(977)
Fair value as of June 30,	\$ 24,691	\$ 21,280

The following table presents the financial instruments carried at fair value as of June 30, 2010, by ASC 820 valuation hierarchies defined above:

	Level I	Level II	Level III	Total
Assets:				
Cash held for investment	\$	\$	\$	\$
Mutual funds				
World stock fund	12,544			12,544
Natural resource funds	7,487			7,487
Small cap funds	10,303			10,303
Allocation funds	41,216			41,216
Fixed income common trust		66,892		66,892
Stock common trust		56,406		56,406
Variable annuity		123,984		123,984
Oregon Community Foundation			21,280	21,280
Total	\$ 71,550	\$ 247,282	\$ 21,280	\$ 340,112

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

12. Allocation of Joint Costs

The Organization achieves some of its program and fund raising goals with the distribution of a periodic newsletter that includes requests for contributions. The cost of producing and distributing the newsletter included a total of \$19,198, and \$24,132 of joint costs for the years ended June 30, 2011, and 2010, respectively, that are not directly attributable to either the program or the fund raising components of the activity. The joint costs were allocated as follows at June 30, 2011, and 2010:

	<u>2011</u>	<u>2010</u>
Program	\$ 15,358	\$ 19,306
Fund raising	<u>3,840</u>	<u>4,826</u>
Total	<u>\$ 19,198</u>	<u>\$ 24,132</u>

NOTE B - INVESTMENTS

The summary of investments at June 30, 2011, and 2010, were as follows:

	<u>June 30, 2011</u>		<u>June 30, 2010</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Marketable securities				
Pioneer Trust Bank N.A.:				
Fixed Income Common Trust Fund	\$ 59,660	\$ 63,501	\$ 59,601	\$ 66,892
Stock Common Trust Fund	40,928	61,502	39,207	56,406
OCF Endowment Fund	21,318	24,691	21,922	21,280
Charles Schwab- Mutual Funds	<u>79,994</u>	<u>90,250</u>	<u>81,052</u>	<u>71,550</u>
	<u>\$ 201,900</u>	<u>\$ 239,944</u>	<u>\$ 201,782</u>	<u>\$ 216,128</u>

Investment returns at June 30, 2011, and 2010, consists of the following:

	<u>2011</u>	<u>2010</u>
Investment income	\$ 8,750	\$ 18,124
Investment expenses	(7,180)	(7,341)
Net realized gain (loss) on investments	11,436	10,272
Net unrealized (loss) on investments	<u>49,080</u>	<u>24,292</u>
	<u>\$ 62,086</u>	<u>\$ 45,347</u>

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment are valued at cost and consist of the following at June 30, 2011, and 2010:

	<u>2011</u>	<u>2010</u>
Land	\$ 12,621	\$ 12,621
Equipment	264,061	274,135
Vehicles	39,140	55,731
Building and improvements	<u>3,009,570</u>	<u>3,008,328</u>
	3,325,392	3,350,815
Accumulated depreciation	(<u>1,351,805</u>)	(<u>1,271,723</u>)
	<u>\$ 1,973,587</u>	<u>\$ 2,079,092</u>

Total depreciation for the years ended June 30, 2011, and 2010, was \$107,885 and \$102,182, respectively.

NOTE D - COMMITMENTS

The Organization leases a building and parking lot from Pioneer Trust Bank as Trustee of the Muriel Morse Tate Trust. The original lease was written in September 2001. The lease has been extended and amended several times. The most recent was May 6, 2010, which extended the lease an additional three years to June 30, 2013. The lease, which is accounted for as an operating lease, calls for monthly rental payments as of July 1, 2011, of \$3,152.67 per month.

In January 2007, the Organization opened a new facility, which is a combination thrift store and adoption center. The lease, which is an operating lease, calls for monthly rental payments of \$5,000. On the commencement of the second year of the lease, the minimum rental will be in accordance with the CPI for the area, with a minimum of 2.5% and a maximum of 4% increase. The term of the lease is five years. This lease also requires the payment of common area charges monthly.

Rental payments for the years ended June 30, 2011, and 2010, were \$134,521 and \$133,431, respectively.

The future minimum rental commitments under the leases are as follows:

Year ending June 30,	
2012	\$ 89,909
2013	<u>19,746</u>
Total minimum payments required	<u>\$ 109,655</u>

The leases provide for the payment of inside maintenance and other expenses by the Organization.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE E - COUNTY CONTRACT

The Organization had an agreement with Polk County, which required the county to pay the sum of \$93 per dog impounded through June 30, 2011, and \$96 per dog impounded for the following fiscal year. The contract was extended through June 30, 2012, with a 30 day option to exit. The county is in the process of building its own facility, but until it is completed, they will continue with the Organization.

NOTE F - PENSION PLAN

The Organization has established a "401(k)" profit-sharing plan covering all employees who are at least 21 years of age and have completed one year of service. Employees may voluntarily contribute up to 25% of compensation. The employer is required to match 50% of such deferrals, with such match being limited to 6% of the deferring participant's compensation. Matching funds of approximately \$8,300 and \$8,611 were made by the Organization during the years ended June 30, 2011, and 2010, respectively. The Organization may also make a supplemental contribution each year as determined annually by the Board of Directors of the Organization. There were no discretionary contributions to the plan during the years ended June 30, 2011, and 2010. The plan was effective beginning July 1, 1994, with the 401(k) feature being added July 1, 1999. Total plan contributions included in expenses for the years ending June 30, 2011, and 2010, were \$8,300 and \$8,611, respectively.

NOTE G - ENDOWMENT FUNDS

Donor-designated Endowments

FASB ASC 958-205, "Endowments of Not-for-Profit-Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" provides guidance on the net asset classification of donor-restricted endowment funds of a non-profit organization subject to the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's donor restricted endowment funds.

The State of Oregon enacted UPMIFA in 2007. The Organization has adopted FASB ASC 958-205 for the year ending June 30, 2009. Management has determined that the Organization's permanently restricted net assets meet the definition of endowment funds under UPMIFA. In addition, the Organization has reviewed all of its endowment funds and determined that in all cases the intention of the donor was that the historic dollar value of the gift be maintained permanently. Accordingly, the endowment funds have been invested in accordance with this goal. Management has determined that no change in the net asset classification of the endowment funds is necessary.

The Organization's endowment funds consist of three separate donor restricted funds for which no specific purpose was established. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the applicable donor restrictions.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE G - ENDOWMENT FUNDS - CONTINUED

Management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date for donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets the original value of the gifts. Unexpended interest is classified as temporarily restricted net assets until these amounts are appropriated for expenditure.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of income while also maintaining the value of the original gifts. Accordingly, endowment assets are invested in accordance with this goal.

The Organization's policy is to appropriate for spending each year the income earned during the prior fiscal year.

Donor-designated Endowments - continued

Changes in endowment assets for the year ending June 30, 2011, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Endowment net assets, beginning of year	(\$ 93,356)	\$	\$ 311,190	\$ 217,834
Contributions				32,015
Investment income	32,015			32,015
Amounts appropriated for expenditure	(7,349)	_____	_____	(7,349)
Endowment net assets, end of year	(\$ <u>68,690</u>)	\$ <u>_____</u>	\$ <u>311,190</u>	\$ <u>242,500</u>

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE G - ENDOWMENT FUNDS - CONTINUED

Changes in endowment assets for the year ending June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Endowment Assets</u>
Endowment net assets, beginning of year	(\$ 98,843)	\$	\$ 311,190	\$ 212,347
Contributions				
Investment income	12,894			12,894
Amounts appropriated for expenditure	(7,407)	_____	_____	(7,407)
Endowment net assets, end of year	(\$ <u>93,356</u>)	\$ <u>_____</u>	\$ <u>311,190</u>	\$ <u>217,834</u>

NOTE H - INTEREST IN THE ASSETS OF THE SALEM FOUNDATION

The Organization is the beneficiary of a trust created by Ray and Phyllis Wood, which is being held in trust by The Salem Foundation. The trust distributes 4% per year to the Organization for the temporarily restricted purpose of food and veterinary services for the animals. The fund is legally owned by The Salem Foundation, which has been granted variance power. The value of the fund at July 31, 2011, was \$51,616.

NOTE I - INTEREST IN THE ASSETS OF THE OREGON COMMUNITY FOUNDATION

The Organization is the beneficiary of a permanent fund created by Karen Schroth, which is being held in trust by The Oregon Community Foundation. The trust distributes not less than annually an appropriate percentage of the fair market value. The percentage is determined from time to time by the Board of Directors of The Oregon Community Foundation. There are no restrictions on the use of the distributions. The fund is legally owned by The Oregon Community Foundation, which has been granted variance power. The value of the fund at June 30, 2011, was \$393,123.

NOTE J - INTEREST IN THE CURTIS AND LOUISE MACDONALD TRUST

The Organization is the beneficiary of a trust created by Curtis and Louise MacDonald, which is being held in trust in perpetuity by Wells Fargo. The trust is required each year to distribute 80% of its net earnings. 10% of this amount is to be distributed to the Organization at least annually. The value of the assets held in trust at June 30, 2011, was \$1,001,778. The investment of these funds is determined by the trustee rather than the Organization.

Willamette Humane Society

NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2011 and 2010

NOTE K - RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 21, 2011, the date which the financial statements were available to be issued.