

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.**

**FINANCIAL REPORT**

**JUNE 30, 2007 AND 2006**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Peninsula Society for the Prevention Cruelty to Animals, Inc.  
Newport News, Virginia

We have audited the accompanying statement of financial position of Peninsula Society for the Prevention of Cruelty to Animals, Inc. (a non-profit organization) as of June 30, 2007, and the related statements of activities, functional expenses and cash flows year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Peninsula Society for the Prevention of Cruelty to Animals, Inc. as of June 30, 2006, were audited by other auditors whose report dated February 9, 2007, expressed an unqualified opinion in those statements.

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 Peninsula Society for the Prevention of Cruelty to Animals, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Boyer, Spady & Moore PLC

February 13, 2008

**FINANCIAL STATEMENTS**

**YEARS ENDED**

**June 30, 2007 and 2006**

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2007 and 2006**

	2007	2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 406,664	338,923
Accounts receivable	31,604	33,241
Prepaid expenses	7,475	-
Inventory	2,747	-
Total current assets	448,490	372,164
<b>OTHER ASSETS</b>		
Property and equipment, net	746,168	647,541
Cash restricted for the building fund	530,000	420,000
Total assets	\$ 1,724,658	1,439,705
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Current portion of long term liability	\$ 45,000	45,000
Accounts payable	92,805	26,948
Accrued salaries	22,348	16,936
Total current liabilities	160,153	88,884
<b>LONG-TERM LIABILITIES</b>		
Mortgage payable, net of current portion	225,718	275,115
Total liabilities	385,871	363,999
<b>NET ASSETS</b>		
Unrestricted	808,787	655,706
Temporarily restricted	530,000	420,000
Total net assets	1,338,787	1,075,706
Total liabilities and net assets	\$ 1,724,658	\$ 1,439,705

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2007**

	2007		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>			
Public support	\$ 156,988	\$ -	\$ 156,988
Municipality support	717,788	110,000	827,788
Operations	263,730	-	263,730
Fund raising, net of expenses	61,021	-	61,021
Interest income	38,607	-	38,607
Gain on sale of assets	<u>4,300</u>	<u>-</u>	<u>4,300</u>
Total revenue and support	<u>1,242,434</u>	<u>110,000</u>	<u>1,352,434</u>
<b>EXPENSES</b>			
Program services	925,259	-	925,259
Fund raising	53,529	-	53,529
Management and general	<u>110,565</u>	<u>-</u>	<u>110,565</u>
Total expenses	<u>1,089,353</u>	<u>-</u>	<u>1,089,353</u>
Change in net assets	153,081	110,000	263,081
<b>NET ASSETS</b>			
Beginning	<u>655,706</u>	<u>420,000</u>	<u>1,075,706</u>
Ending	<u>\$ 808,787</u>	<u>\$ 530,000</u>	<u>\$ 1,338,787</u>

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2006**

	2006		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUE AND SUPPORT</b>			
Public Support	\$ -	\$ 246,269	\$ 246,269
Municipality support	822,680	-	822,680
Operations	39,838	173,731	213,569
Fund raising, net of expenses	6,514	-	6,514
Interest income	11,445	-	11,445
Gain on sale of assets	349	-	349
	<u>880,826</u>	<u>420,000</u>	<u>1,300,826</u>
Total revenue and support			
<b>EXPENSES</b>			
Program services	903,387	-	903,387
Fund raising	-	-	-
Management and general	-	-	-
	<u>903,387</u>	<u>-</u>	<u>903,387</u>
Total expenses			
Changes in net assets	(22,561)	420,000	397,439
<b>NET ASSETS</b>			
Beginning	<u>678,267</u>	<u>-</u>	<u>678,267</u>
Ending	<u>\$ 655,706</u>	<u>\$ 420,000</u>	<u>\$ 1,075,706</u>

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2007**

	2007			
	Program Services	Fund Raising	Management and General	Total
Salaries and related taxes	\$ 546,066	\$ 38,750	\$ 71,267	\$ 656,083
Employee benefits	51,582	3,473	10,349	65,404
Total salaries and related expenses	597,648	42,223	81,616	721,487
Adoption	11,306	-	-	11,306
Advertising	5,052	1,684	-	6,736
Automobile	3,400	425	425	4,250
Bank Charges	-	-	4,539	4,539
Cremation agreement	22,779	-	-	22,779
Custodial services	2,783	-	491	3,274
Depreciation	37,387	64	1,039	38,490
Dues and subscriptions	1,130	200	-	1,330
Education	8,215	-	-	8,215
Equipment rental and maintenance	2,960	395	592	3,947
Insurance	10,120	-	533	10,653
Interest	10,603	-	-	10,603
Miscellaneous	4,494	691	1,728	6,913
Office	7,737	3,869	1,289	12,895
Other program expenses	22,148	-	-	22,148
Outside services	1,487	-	-	1,487
Payroll services	4,007	-	445	4,452
Petting zoo	14,152	-	-	14,152
Postage and shipping	1,173	489	293	1,955
Professional fees	-	-	12,997	12,997
Recruitment and testing	4,388	-	-	4,388
Repairs and maintenance	18,561	-	-	18,561
Shelter expense	29,832	-	-	29,832
Spay/neuter clinic	3,700	-	-	3,700
Supplies	51,902	-	-	51,902
Taxes and licenses	448	-	-	448
Telephone and internet	4,559	1,900	1,140	7,599
Trash removal	6,417	-	713	7,130
Travel and training	2,292	955	573	3,820
Uniforms	5,110	-	568	5,678
Utilities	29,469	634	1,584	31,687
Total expenses	<u>\$ 925,259</u>	<u>\$ 53,529</u>	<u>\$ 110,565</u>	<u>\$ 1,089,353</u>

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Year Ended June 30, 2006**

	2006			Total
	Program Services	Fund Raising	Management and General	
Salaries and related taxes	\$ 518,773	\$ -	\$ -	\$ 518,773
Employee benefits	48,032	-	-	48,032
Total salaries and related expenses	566,805	-	-	566,805
Advertising	4,027	-	-	4,027
Automobile	4,214	-	-	4,214
Bank charges	2,776	-	-	2,776
Cremation agreement	31,785	-	-	31,785
Custodial services	3,394	-	-	3,394
Depreciation	32,488	-	-	32,488
Dues and subscriptions	927	-	-	927
Equipment rental and maintenance	3,208	-	-	3,208
Insurance	29,266	-	-	29,266
Interest	12,331	-	-	12,331
Miscellaneous	377	-	-	377
Office	12,510	-	-	12,510
Other program expenses	17,413	-	-	17,413
Outside services	734	-	-	734
Payroll services	4,145	-	-	4,145
Petting zoo	16,221	-	-	16,221
Postage and shipping	1,068	-	-	1,068
Professional fees	8,375	-	-	8,375
Recruitment and testing	9,011	-	-	9,011
Repairs and maintenance	32,765	-	-	32,765
Shelter expense	21,035	-	-	21,035
Supplies	29,733	-	-	29,733
Taxes and licenses	926	-	-	926
Telephone and internet	10,275	-	-	10,275
Trash removal	4,132	-	-	4,132
Travel and training	6,053	-	-	6,053
Uniforms	5,663	-	-	5,663
Utilities	31,730	-	-	31,730
Total expenses	\$ 903,387	\$ -	\$ -	\$ 903,387

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
STATEMENTS OF CASH FLOWS  
Years ended June 30, 2007 and 2006**

	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 263,081	\$ 397,439
Adjustments to reconcile change in net assets to Net cash provided by operating activities:		
Depreciation	38,490	32,488
Gain on sale of assets	(4,300)	(349)
Changes in assets and liabilities:		
Accounts receivable	1,637	(31,987)
Prepaid expenses	(7,475)	-
Inventory	(2,747)	-
Accounts payable and accrued expenses	71,269	26,436
Net cash provided by operating activities	359,955	424,027
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sale of property and equipment	4,300	-
Purchase of property and equipment	(137,117)	(34,341)
Net cash used in investing activities	(132,817)	(34,341)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Collections of contributions temporarily restricted for building fund	(110,000)	(420,000)
Repayments of short term debt	(49,397)	(47,379)
Net cash used by financing activities	(159,397)	(467,379)
 Net increase (decrease) in cash	67,741	(77,693)
 <b>CASH AND INTEREST BEARING DEPOSITS</b>		
Beginning	338,923	416,616
Ending	\$ 406,664	\$ 338,923
 <b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Cash paid for:		
Interest	\$ 10,603	\$ 12,331

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Business.** The Peninsula Society for the Prevention of Cruelty to Animals, Inc. ("the Organization"), a Virginia Corporation trading as Peninsula SPCA, was organized September, 1976 to advocate and provide for the humane care and welfare of animals. The Peninsula SPCA is committed to finding a good home for every adoptable pet on the Virginia Peninsula.

**Method of Accounting.** The accompanying financial statements have been prepared on the accrual basis of accounting and, as such, recognize income when earned and expenses when incurred.

**Basis of Presentation.** Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117 *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, 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.

**Recognition of Restrictions on Assets.** Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the same 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.

**Contributions.** The Organization recognizes in-kind contributions as revenue and expense in the period in which they are received. Donated materials are valued by donor at fair market value on the date of the gift. No amounts have been reflected in the accompanying financial statements for volunteer services since they are not susceptible to objective measurement or valuation; however, a number of volunteers donated significant amounts of their time performing services that would otherwise be performed by paid employees.

All contributions are considered to be available for unrestricted use in the period received unless specifically restricted by the donor or board. Amounts received that are designated for future periods or restricted by the donor or board for specific purposes are reported as temporarily restricted or permanently restricted support depending on the nature of the restrictions.

Membership dues for the support of current operations are recognized as revenue when received.

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

The Organization maintains amounts in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

**Inventory.** Inventory consists of microchips and is valued at cost using the first-in, first-out method.

**Property and Equipment.** Purchased items are stated at cost and donated items are stated at fair market value at the date of the gift. Donations are reported as unrestricted support unless the donor has restricted the asset to a specific purpose. Depreciation is provided on the straight-line method over the estimated useful lives of the assets of 3 to 40 years. Gains and losses arising from retirements or dispositions are recognized currently.

(Continued)

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006**

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**NOTE 1. NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES**  
(concluded)

**Income Taxes.** The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**Use of 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.

**Advertising Costs.** Advertising costs are expensed as incurred and equaled \$6,736 and \$4,027 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 2. DONATED SERVICES**

The Organization receives services donated by the citizens interested in the Organization's programs. Because of the difficulty in assigning values for such services, these items are not reflected in the accompanying financial statements.

**NOTE 3. CONCENTRATION OF RISK**

The Organization solicits contributions from individuals, businesses, and various agencies. Financial instruments that potentially subject the Organization to credit risk include contributions. Contributions are not collateralized, and there is no legal recourse to collect unpaid pledges.

The Organization receives the majority of its support from four area municipalities.

**NOTE 4. PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Furniture and fixtures	\$ 52,302	\$ 34,539
Computer equipment	17,499	17,499
Equipment	17,775	17,348
Vehicles	32,705	43,775
Weapons	586	586
Leasehold improvements	17,031	17,031
Buildings and cages	990,169	951,906
Animals	20,855	20,855
Land	33,350	33,350
Construction in progress	80,664	-
Subtotal	<u>1,262,936</u>	<u>1,136,889</u>
Less accumulated depreciation	<u>516,768</u>	<u>489,348</u>
Total property and equipment	<u>\$ 746,168</u>	<u>\$ 647,541</u>

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006**

**NOTE 5. MORTGAGE PAYABLE**

	2007	2006
Industrial Development Authority of City of Newport News Revenue Bond, 120 monthly principal payments of \$3,750 plus accrued interest at 88% of prime as quoted in the Wall Street Journal. Bond is due and payable October, 2008. Secured by promissory note and deed of trust.	\$ 270,718	\$ 320,115
Less-current portion	45,000	45,000
Net long-term debt	\$ 225,718	\$ 275,115

Maturities of long-term debt are as follows for the years ending June 30:

2008	\$ 45,000
2009	225,718

**NOTE 5. OPERATING LEASES**

The Organization leases several pieces of equipment under operating leases. The terms of the leases are for three years.

Future minimum lease payments under all operating leases are as follows for the years ending June 30:

2008	\$ 4,966
2009	3,516
2010	2,051

**NOTE 6. RETIREMENT PLAN**

The Organization has a 403(b) plan covering substantially all full-time employees. Under the plan, the employees may elect to defer part of their salary subject to the Internal Revenue Code limits. The Organization may make a discretionary match to the employees' contribution. The Organization's contributions amounted to \$10,349 and \$10,308 for the years ended June 30, 2007 and 2006, respectively.

**NOTE 7. RESTRICTIONS ON NET ASSETS**

All of the restrictions on net assets at June 30, 2007 and 2006 relate to funds that will be used for the building fund.

Temporarily restricted net assets are available for the following purpose:

	2007	2006
Building Fund	\$ 530,000	\$ 420,000

**PENINSULA SOCIETY FOR THE PREVENTION OF  
CRUELTY TO ANIMALS, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2007 and 2006**

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**NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.