

HALIFAX HUMANE SOCIETY, INC.

**Financial Statements And
Independent Auditors' Reports**

December 31, 2010 And 2009

**Halifax Humane Society, Inc.
December 31, 2010 And 2009**

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INDEPENDENT AUDITORS' REPORT

**The Board Of Directors
Halifax Humane Society, Inc.
Daytona Beach, Florida**

We have audited the accompanying statements of financial position of Halifax Humane Society, Inc. (a not-for-profit 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 Organization'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Halifax Humane Society, Inc. 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 with accounting principles generally accepted in the United States of America.



Olivari & Associates
Certified Public Accountants and Consultants
June 22, 2011

Halifax Humane Society, Inc.
Statements Of Financial Position
December 31, 2010 and 2009

	2010			2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Assets							
Current Assets							
Cash and cash equivalents	\$ 117,963	\$ 36,634	\$ -	\$ 188,644	\$ 10,827	\$ -	\$ 199,471
Investments	1,503,941	140,956	-	1,429,902	100,000	-	1,529,902
Accounts receivable	67,870	-	-	45,934	-	-	45,934
Contribution and bequests receivables - net	93,355	-	-	59,645	70,500	239,196	369,341
Inventories - resale	25,253	-	-	28,443	-	-	28,443
Prepaid expenses and other assets	11,924	-	-	31,356	-	-	31,356
Total Current Assets	1,820,306	177,590	-	1,783,924	181,327	239,196	2,204,447
Noncurrent Assets							
Construction in progress	-	-	-	3,050	-	-	3,050
Charitable gift annuities - net	-	95,140	-	-	62,937	-	62,937
Charitable remainder trusts - net	-	89,524	-	-	70,548	-	70,548
Investments - permanently restricted	-	-	662,733	-	-	423,537	423,537
Beneficial interest in perpetual trusts	(62,609)	-	739,342	(101,564)	-	739,342	637,778
Land, buildings and equipment - net	1,405,557	-	1,405,557	1,449,931	-	-	1,449,931
Refundable deposits	448	-	448	448	-	-	448
Total Noncurrent Assets	1,343,396	184,664	1,402,075	1,351,865	133,485	1,162,879	2,648,229
Total Assets	\$ 3,163,702	\$ 362,254	\$ 1,402,075	\$ 3,135,789	\$ 314,812	\$ 1,402,075	\$ 4,852,676
Liabilities and Net Assets							
Current Liabilities							
Accounts payable and accrued expenses	\$ 104,852	-	-	\$ 97,762	-	-	\$ 97,762
Prepaid spay/neuter certificates	35,213	-	-	27,040	-	-	27,040
Total Current Liabilities	140,065	-	-	124,802	-	-	124,802
Net Assets							
Unrestricted	3,023,637	-	-	3,010,987	-	-	3,010,987
Temporarily restricted	-	362,254	-	-	314,812	-	314,812
Permanently restricted	-	-	1,402,075	-	-	1,402,075	1,402,075
Total Net Assets	3,023,637	362,254	1,402,075	3,010,987	314,812	1,402,075	4,727,874
Total Liabilities and Net Assets	\$ 3,163,702	\$ 362,254	\$ 1,402,075	\$ 3,135,789	\$ 314,812	\$ 1,402,075	\$ 4,852,676

The accompanying independent auditors' report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Activities
For The Years Ended December 31, 2010 and 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support and Revenue								
Program service fees	\$ 953,292	\$ -	\$ -	\$ 953,292	\$ 924,886	\$ -	\$ -	\$ 924,886
Legacies and bequests	151,705	121,911	-	273,616	206,041	70,500	239,196	515,737
Contributions	221,221	4,329	-	225,550	199,384	10,827	-	210,211
Grants	12,000	14,000	-	26,000	-	-	-	-
Thrift shop	129,055	-	-	129,055	183,714	-	-	183,714
Special events	113,865	-	-	113,865	81,118	-	-	81,118
Sale of supplies	70,350	-	-	70,350	89,742	-	-	89,742
Newsletter and advertising	12,476	-	-	12,476	28,314	-	-	28,314
Investment gain	134,568	-	-	134,568	180,901	-	-	180,901
Income from split interest agreements	41,062	-	-	41,062	19,278	-	-	19,278
Appreciation in perpetual trusts	38,955	-	-	38,955	59,384	-	-	59,384
Other income	576	-	-	576	5,324	-	-	5,324
Actuarial gain on charitable gift annuities	-	906	-	906	-	3,051	-	3,051
Appreciation in charitable remainder trusts	-	6,305	-	6,305	-	11,520	-	11,520
Total revenue	1,879,125	147,451	-	2,026,576	1,978,086	95,898	239,196	2,313,180
Net assets released from restrictions	100,009	(100,009)	-	-	13,242	(13,242)	-	-
Total Support, Revenue and Net Assets Released From Restrictions	1,979,134	47,442	-	2,026,576	1,991,328	82,656	239,196	2,313,180
Operating Expenses								
Program services:								
Animal care	1,499,726	-	-	1,499,726	1,504,373	-	-	1,504,373
Supporting services:								
Management and general	235,276	-	-	235,276	265,269	-	-	265,269
Thrift shop	132,862	-	-	132,862	173,664	-	-	173,664
Fundraising	98,620	-	-	98,620	89,230	-	-	89,230
Total Expenses	1,966,484	-	-	1,966,484	2,032,536	-	-	2,032,536
Increase (decrease) in net assets	12,650	47,442	-	60,092	(41,208)	82,656	239,196	280,644
Net Assets, Beginning Of Year	3,010,987	314,812	1,402,075	4,727,874	3,052,195	232,156	1,162,879	4,447,230
Net Assets, End Of Year	\$ 3,023,637	\$ 362,254	\$ 1,402,075	\$ 4,787,966	\$ 3,010,987	\$ 314,812	\$ 1,402,075	\$ 4,727,874

The accompanying independent auditors' report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Functional Expenses
For The Years Ended December 31, 2010 and 2009

	2010					2009				
	Animal Care	Management and General	Thrift Shop	Fundraising	Total Expenses	Animal Care	Management and General	Thrift Shop	Fundraising	Total Expenses
Compensation and benefits										
Compensation	\$ 710,774	\$ 148,224	\$ 62,645	\$ 57,334	\$ 978,977	\$ 687,299	\$ 191,993	\$ 75,221	\$ 60,361	\$ 1,014,874
Employee benefits	120,905	18,302	10,434	3,180	152,821	114,137	26,630	13,725	2,592	157,084
Payroll taxes	59,848	10,784	6,232	5,012	81,876	47,350	13,058	4,889	4,109	69,606
Total Compensation and Benefits	891,527	177,310	79,311	65,526	1,213,674	848,986	231,681	93,835	67,062	1,241,564
Other operating expenses										
Advertising	150	-	4,105	-	4,255	-	-	-	-	-
Animal supplies/services	288,670	-	-	-	288,670	319,678	-	-	-	319,678
Bad debt - bequests	-	7,803	-	-	7,803	-	-	-	-	-
Depreciation and amortization	60,042	3,832	1,745	-	65,619	62,439	3,985	-	-	66,424
Education and development	1,829	985	-	2,099	4,913	1,014	621	-	6,809	8,444
Fundraising expenses	-	-	-	30,995	30,995	-	-	-	15,359	15,359
Insurance	38,157	2,152	1,166	-	41,475	49,252	3,065	4,604	-	56,921
Licenses and permits	1,810	2,494	-	-	4,304	382	234	-	-	616
Miscellaneous	4,466	998	-	-	5,464	7,601	1,882	-	-	9,483
Occupancy	90,348	4,330	34,314	-	128,992	96,972	4,615	70,238	-	171,825
Office expenses	34,259	6,046	-	-	40,305	30,898	5,453	-	-	36,351
Postage	4,200	2,261	-	-	6,461	4,300	2,636	-	-	6,936
Printing and publications	8,896	4,790	-	-	13,686	9,494	5,819	-	-	15,313
Professional fees	8,682	20,386	-	-	29,068	4,774	2,926	-	-	7,700
Repairs and maintenance	-	-	633	-	633	-	-	-	-	-
Shipping	-	-	1,646	-	1,646	-	-	-	-	-
Supplies - resale	56,502	-	8,734	-	65,236	58,444	-	2,555	-	60,999
Telephone	8,127	1,434	-	-	9,561	8,628	1,523	1,892	-	12,043
Vehicle expenses	2,061	455	1,208	-	3,724	1,511	829	540	-	2,880
Total Other Operating Expenses	608,199	57,966	53,551	33,094	752,810	655,387	33,588	79,829	22,168	790,972
Total Expenses	\$ 1,499,726	\$ 235,276	\$ 132,862	\$ 98,620	\$ 1,966,484	\$ 1,504,373	\$ 265,269	\$ 173,664	\$ 89,230	\$ 2,032,536

The accompanying independent auditors' report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Statements Of Cash Flows
For The Years Ended December 31, 2010 and 2009

	2010			2009				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Cash Flows From Operating Activities								
Change in net assets	\$ 12,650	\$ 47,442	\$ -	\$ 60,092	\$ (41,208)	\$ 82,656	\$ 239,196	\$ 280,644
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:								
Depreciation & amortization	65,619	-	-	65,619	66,424	-	-	66,424
Actuarial gain on charitable gift annuities	-	(906)	-	(906)	-	(3,051)	-	(3,051)
Donated charitable gift annuity	-	(31,297)	-	(31,297)	-	-	-	-
Net unrealized and realized (gain) loss on investments	(70,176)	-	-	(70,176)	(111,524)	-	-	(111,524)
Appreciation in charitable remainder trusts	-	(6,305)	-	(6,305)	-	(11,520)	-	(11,520)
Donated charitable remainder trusts	-	(12,671)	-	(12,671)	-	-	-	-
Appreciation in perpetual trusts	(38,955)	-	-	(38,955)	(59,384)	-	-	(59,384)
<i>Decreases (increases) in certain assets:</i>								
Accounts receivable	(21,936)	-	-	(21,936)	(39,037)	-	-	(39,037)
Contributions and bequests receivable	(41,710)	70,500	239,196	267,986	181,477	(70,500)	(239,196)	(128,219)
Inventory	3,190	-	-	3,190	(11,356)	-	-	(11,356)
Prepaid expenses	19,432	-	-	19,432	(11,858)	-	-	(11,858)
Construction in progress	3,050	-	-	3,050	-	-	-	-
Refundable deposits	-	-	-	-	3,752	-	-	3,752
<i>Increases (decreases) in certain liabilities:</i>								
Accounts payable and accrued liabilities	7,090	-	-	7,090	(15,732)	-	-	(15,732)
Prepaid spay/neuter certificates	8,173	-	-	8,173	(26,083)	-	-	(26,083)
Total Adjustments	(66,223)	19,321	239,196	192,294	(23,321)	(85,071)	(239,196)	(347,588)
Net Cash Provided by (Used In) Operating Activities	(53,573)	66,763	239,196	252,386	(64,529)	(2,415)	-	(66,944)
Cash Flows From Investing Activities								
Purchase of land, buildings and equipment	(13,245)	-	-	(13,245)	(2,419)	-	-	(2,419)
Sale of investments	50,000	45,000	-	95,000	-	-	-	-
Purchase of investments	(53,863)	(85,956)	(239,196)	(379,015)	(62,915)	-	-	(62,915)
Net Cash Provided by (Used In) Investing Activities	(17,108)	(40,956)	(239,196)	(297,260)	(65,334)	-	-	(65,334)
Net increase (decrease) in cash and cash equivalents	(70,681)	25,807	-	(44,874)	(129,863)	(2,415)	-	(132,278)
Cash And Cash Equivalents, Beginning Of Year	188,644	10,827	-	199,471	318,507	13,242	-	331,749
Cash And Cash Equivalents, End Of Year	\$ 117,963	\$ 36,634	\$ -	\$ 154,597	\$ 188,644	\$ 10,827	\$ -	\$ 199,471

The accompanying independent auditors' report and notes should be read with these financial statements.

Halifax Humane Society, Inc.
Notes To Financial Statements
December 31, 2010 And 2009

NOTE 1 – Organization And Summary Of Significant Accounting Policies

A. Organization Activities

The Halifax Humane Society, Inc. (The Society) was established in 1937 as a not-for-profit organization to provide an animal shelter for care, remedial treatment and cruelty prevention. The Society is supported primarily through donor contributions and fees for services.

B. Basis Of Accounting

The Society follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

C. Cash And Cash Equivalents

The Society considers all highly liquid cash instruments with a maturity of three months or less to be cash equivalents.

D. Financial Statements

The financial statements presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958, Not-for-Profit Entities Presentation of Financial Statements using the accrual basis of accounting.

These financial statements present unrestricted, temporarily restricted and permanently restricted net assets to reflect the donor imposed limitations and restrictions placed on the resources available to the Society as follows:

E. Net Assets

Unrestricted Net Assets – The unrestricted net asset class includes the general and board designated assets and liabilities of the Society. Revenue and support received by the Society without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Society. In general, the unrestricted net assets of the Society may be used at the discretion of the Society’s management and the board of Directors to support the Society’s purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes expendable assets and related liabilities of the Society. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose restriction is met these assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

E. Net Assets (continued)

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets and related liabilities of the Society related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of corpus is available for the Society’s operations in accordance with the donor restrictions. Appreciation related to the permanently restricted net assets, if not specifically restricted otherwise, follows the donor’s income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

F. Contributions

Contributions, including unconditional promises to give, are recorded as received. All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reflected as short-term contributions receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

G. Investments

Investments are stated at fair value. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specified purpose by the donor of the related investment.

H. Accounts Receivable

The accounts receivable arise from fees charged to local municipalities for animal care and shelter. Accounts are charged to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

I. Inventories

Inventories, which consist of animal supplies for resale, are carried at the lower of cost or market determined on the first-in, first-out basis.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

- J. Land, Buildings and Equipment
Purchases of land, buildings and equipment having a unit cost of \$1,000 or more and an estimated useful life of five years or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years. In the absence of donor-imposed restrictions on the use of the asset, gifts of long-lived assets are reported as unrestricted contributions.
- K. Donated Services
A substantial number of volunteers donate significant amounts of their time to the Society's programs and supporting services. Such services have not been reflected in the accompanying financial statements because these services do not meet the criteria for recognition as contributed services.
- L. Income Taxes
The Society qualifies for exemption from federal income taxation under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation under IRC Section 509 (a)(2). Accordingly, the accompanying financial statements do not reflect a provision for income taxes.
- M. Use of Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.
- N. Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the services benefited.
- O. Fair Value of Financial Instruments
The following methods and assumptions were used by the Society to estimate the fair market values of financial instruments as disclosed herein. All investments are based on level 1 in accordance with generally accepted accounting standards.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 1 – Organization And Summary Of Significant Accounting Policies (continued)

O. Fair Value of Financial Instruments (continued)

Cash and cash equivalents, investments and short-term contributions receivable:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Long-term contributions receivable:

The fair value of promises to give that are due in more than one year are estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection periods.

Beneficial interest in perpetual trusts:

The fair value of the Society's interest in perpetual trust assets is based on quoted market prices of the trust assets or similar investments.

NOTE 2 – Investments

Investments are carried at market value and consist of the following at December 31, 2010.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Equities, equity funds and preferred stock	\$ 49,756	\$ -	\$ 295,285
Bonds, fixed income and certificates of deposit	967,093	-	245,175
Mutual funds	437,392	-	36,486
Cash and cash equivalents	<u>32,372</u>	<u>140,956</u>	<u>103,115</u>
	1,486,613	140,956	680,061
Due to unrestricted funds	<u>17,328</u>	<u>-</u>	<u>(17,328)</u>
	<u>\$ 1,503,941</u>	<u>\$ 140,956</u>	<u>\$ 662,733</u>

Components of investment gains at December 31, 2010 are as follows:

Realized and unrealized gains – net	\$ 70,176
Interest and dividend income	67,066
Outside investment management fees	<u>(2,964)</u>
	134,278
Operating interest income	<u>290</u>
	<u>\$ 134,568</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 2 – Investments (continued)

Investments are carried at market value and consist of the following at December 31, 2009.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Equities, equity funds and preferred stock	\$ 29,707	\$ -	\$ 188,026
Bonds, fixed income and certificates of deposit	969,024	-	188,199
Mutual funds	354,928	-	22,216
Cash and cash equivalents	<u>91,816</u>	<u>100,000</u>	<u>9,523</u>
	1,445,475	100,000	407,964
Due to permanently restricted fund	<u>(15,573)</u>	<u>-</u>	<u>15,573</u>
	<u>\$ 1,429,902</u>	<u>\$ 100,000</u>	<u>\$ 423,537</u>

Components of investment gains at December 31, 2009 are as follows:

Realized and unrealized gains – net	\$ 111,524
Interest and dividend income	70,578
Outside investment management fees	<u>(1,854)</u>
	180,248
Operating interest income	<u>653</u>
	<u>\$ 180,901</u>

NOTE 3 – Promises To Give

	<u>2010</u>	<u>2009</u>
Receivable in less than one year	\$ 93,355	\$ 369,341
Receivable in one to five years	-	-
Receivable in more than five years	<u>379,121</u>	<u>234,657</u>
	472,476	603,998
Less: Discounts to net present value	<u>(194,457)</u>	<u>(101,172)</u>
Net Contributions Receivable	<u>\$ 278,019</u>	<u>\$ 502,826</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 3 – Promises To Give (continued)

Contributions receivable consist of amounts donated under trust agreements due within the next fiscal year and amounts donated under trust agreements which are reflected at present value of estimated future cash flows using a discount rate of 5.0%. Differences between the amounts allocated and collected have historically been insignificant. Accordingly, no provision is made for uncollectible amounts. Uncollectible amounts for other contributions receivable are also expected to be insignificant.

Contributions receivable also consist of unconditional promise to give arising from charitable gift annuities and remainder trusts, which are reflected at the present value of estimated future cash flows using a discount rate of 5.0%. These amounts are deemed to be fully collectible by management.

NOTE 4 – Land, Buildings And Equipment

Land, buildings and equipment for the Society consists of the following:

	2010	2009
Land	\$ 6,476	\$ 6,476
Building and improvements	2,045,978	2,040,111
Equipment and vehicles	281,883	295,019
	2,334,337	2,341,606
Less: Accumulated depreciation	(928,780)	(891,675)
Net Land, Buildings and Equipment	\$ 1,405,557	\$ 1,449,931

Depreciation expense for the years ended December 31, 2010 and 2009 was \$65,619 and \$66,424, respectively.

NOTE 5 – Retirement Plan

The Society maintains a SIMPLE retirement plan for the benefit of its full-time employees. The plan covers all full-time employees after 90 days of employment, subject to the eligibility requirements in the SIMPLE Plan Adoption Agreement. For employee contributions up to 3% of their eligible pay, the Society is obligated to make a matching contribution. Employer contributions to this plan for the years ended December 31, 2010 and 2009 was \$7,884 and \$12,206, respectively.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 6 – Restriction Of Net Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2010</u>	<u>2009</u>
Grant & Donor temporarily restricted contributions – cash	\$ 36,634	\$ 10,827
Donor temporarily restricted bequests – investments	140,956	100,000
Bequest receivable	-	70,500
Charitable gift annuities	95,140	62,937
Charitable remainder trusts	<u>89,524</u>	<u>70,548</u>
Total Temporarily Restricted Net Assets	<u>\$ 362,254</u>	<u>\$ 314,812</u>

The change in temporarily restricted net assets consist of the following:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 314,812	\$ 232,156
Contributions, legacies and bequests	126,240	81,327
Grants	14,000	-
Actuarial gains and appreciation	7,211	14,571
Release for incurred expenses and time restriction	<u>(100,009)</u>	<u>(13,242)</u>
Ending balance	<u>\$ 362,254</u>	<u>\$ 314,812</u>

Permanently restricted net assets consist of the Society's interest in perpetual trust assets and endowment investment assets, which are to be held indefinitely, the income from which is expendable to support general operations. When investment losses in donor-restricted endowment funds cause the fair value of the endowment assets to fall below the original donation value, the deficiency is included in unrestricted assets.

For the year ended December 31, 2010:

	<u>Original Donation</u>	<u>Fair Value</u>	<u>Excess (Deficiency)</u>
Tigner Perpetual Trust	\$ 239,196	\$ 236,193	\$ (3,003)
Ciri Perpetual Trust	423,537	443,868	20,331
Rogers Endowment Trust	<u>739,342</u>	<u>676,733</u>	<u>(62,609)</u>
	<u>\$1,402,075</u>	<u>\$ 1,356,794</u>	<u>\$ (45,281)</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 6 – Restriction Of Net Assets (continued)

For the year ended December 31, 2009:

	<u>Original Donation</u>	<u>Fair Value</u>	<u>Excess (Deficiency)</u>
Tigner Perpetual Trust	\$ 239,196	\$ 239,196	\$ -
Ciri Perpetual Trust	423,537	407,964	(15,573)
Rogers Endowment Trust	<u>739,342</u>	<u>637,778</u>	<u>(101,564)</u>
	<u>\$1,402,075</u>	<u>\$ 1,284,938</u>	<u>\$ (117,137)</u>

NOTE 7 – Fair Value Measurements

Fair values for short-term investments and perpetual trusts are determined by reference to quoted market prices and other relevant information generated by market transactions. The fair value of the beneficial interest in the charitable gift annuities and the charitable remainder trusts are estimated as the present value of expected future cash inflows. The fair value measurements and levels within the fair value hierarchy of those investments are carried at market value and consist of the following.

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Available indirect information.

Fair value of assets measured on a recurring basis at December 31, 2010:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments and Perpetual Trusts:			
Cash and cash equivalents	\$ 276,443	\$ 276,443	\$ -
Mutual funds	473,878	473,878	-
Equities, equity funds and preferred stock	345,041	345,041	-
Bonds, fixed income and certificates of deposit	<u>1,212,268</u>	<u>1,212,268</u>	<u>-</u>
	<u>\$ 2,307,630</u>	<u>\$ 2,307,630</u>	<u>\$ -</u>
Beneficial interests in Annuities and Trusts:			
Charitable gift annuities	\$ 95,140	\$ -	\$ 95,140
Charitable remainder trusts	89,524	-	89,524
Perpetual trust	<u>676,733</u>	<u>-</u>	<u>676,733</u>
	<u>\$ 861,397</u>	<u>\$ -</u>	<u>\$ 861,397</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 7 – Fair Value Measurements (continued)

Fair value of assets measured on a recurring basis at December 31, 2009:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
Investments and Perpetual Trusts:			
Cash and cash equivalents	\$ 201,339	\$ 201,339	\$ -
Mutual funds	377,144	377,144	-
Equities, equity funds and preferred stock	217,733	217,733	-
Bonds, fixed income and certificates of deposit	<u>1,157,223</u>	<u>1,157,223</u>	<u>-</u>
	<u>\$ 1,953,439</u>	<u>\$ 1,953,439</u>	<u>\$ -</u>
Beneficial interests in Annuities and Trusts:			
Charitable gift annuities	\$ 62,937	\$ -	\$ 62,937
Charitable remainder trusts	70,548	-	70,548
Perpetual trust	<u>637,778</u>	<u>-</u>	<u>637,778</u>
	<u>\$ 771,263</u>	<u>\$ -</u>	<u>\$ 771,263</u>

See Note 2 – Investments for additional information on the investments and perpetual trust invested assets. See Note 8 – Split-Interest Gifts for additional information on the beneficial interest in annuities and trusts.

NOTE 8 – Split-Interest Gifts

The Society is the beneficiary of several gifts of future interests. The terms and basis of valuing gifts of future interests are as follows, for the years ended December 31, 2010 and 2009.

Charitable Gift Annuities – SunTrust Bank is the custodian of gift annuity assets – also recording the liabilities and making the periodic distributions to the income beneficiaries during their lifetimes. After the death of the income beneficiaries, any remainder interest will be disbursed to the Society. Any change in value from the beginning of the year and/or the date of gift recognition is reflected in actuarial gain (loss) of charitable gift annuities. During the years ended December 31, 2010 and 2009, the Society recognized unrealized gains of \$906 and \$3,051, respectively. The contributions receivable are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received (currently 5.0%). At December 31, 2010 and 2009, the Society had totals of \$95,140 and \$62,937 respectively, in charitable gift annuities. See Note 3 – Promises to Give.

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 8 – Split-Interest Gifts (continued)

Remainder Trusts – The Society is the beneficiary of a charitable remainder unitrust, held and administered by a local financial institution. Under the terms of the trust, the primary beneficiaries received quarterly distributions from the trust and income earned on the trust's assets must remain in the trust until the death of the primary beneficiaries. At that time, the remaining assets of the trust are to be distributed to the Society. The asset, long-term contributions receivable, represents the recognition of an amount receivable for the present value of the estimated future benefits to be received when the assets are distributed. The contributions receivable are reported at the present value of their net realizable value, using interest rates applicable to the years in which the promises are to be received (currently 5.0%). At December 31 2010 and 2009, the Society had totals of \$89,524 and \$70,548 respectively, in remainder trusts and recognized unrealized gains of \$6,305 and \$11,520 respectively, for the years ended December 31, 2010 and 2009. See Note 3 – Promises to Give.

Perpetual Trusts – The Society is a 17% beneficiary of the Rogers Endowment Trust (a perpetual trust) held by a local financial institution. Under the terms of the trust, the Society has the irrevocable right to receive their share of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. Income from the trust is unrestricted and expendable to support general operations. The Society's beneficial interest in perpetual trust assets is recognized at the fair value of the trust assets. During the years ended December 31, 2010 and 2009, the Society recognized unrealized gains of \$38,955 and \$59,384 respectively, related to the change in fair value of perpetual trust assets invested in equity securities. At December 31, 2010 and 2009, the Society had totals of \$676,733 and \$637,778 respectively, in perpetual trusts. See Note 6 – Restriction of Net Assets.

NOTE 9 – Commitments

The Society leases storefront space for the thrift shop expiring December 31, 2011, at the rate of \$2,216 per month which includes taxes, insurance, common area maintenance, and sales tax.

Rent expense for the years ended December 31, 2010 and 2009 was \$28,547 and \$47,659, respectively.

Minimum annual lease payments of the lease are as follows:

2011	\$ 26,592
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Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 10 – Correction Of Prior Reported Net Assets

The Society has restated the beginning net assets on the Statements of Activities and Statements of Financial Position for the year ended December 31, 2009. The temporarily restricted and total net assets for 2008 increased \$22,232 for Trust assets that previously had not been recorded for the Wenman Charitable Remainder Trust. In addition, the change in net assets has been restated for \$3,056 in actuarial gains on the Wenman Charitable Remainder Trust assets for 2009. Also \$239,196 in unrestricted bequests receivable for 2009 should have been reported as permanently restricted funds from the Tigner Estate. The schedule below reflects these changes.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Assets</u>
Restated net assets December 31, 2008	\$ 3,052,195	\$ 232,156	\$ 1,162,879	\$ 4,447,230
Previously reported change in net assets	197,988	79,600	-	277,588
Actuarial gain for Wenman Charitable Remainder Trust	-	3,056	-	3,056
Correction in reporting for Tigner Estate	<u>(239,196)</u>	<u>-</u>	<u>239,196</u>	<u>-</u>
Corrected change in net assets	<u>(41,208)</u>	<u>82,656</u>	<u>239,196</u>	<u>280,644</u>
Restated net assets as of December 31, 2009	<u>\$ 3,010,987</u>	<u>\$ 314,812</u>	<u>\$ 1,402,075</u>	<u>\$ 4,727,874</u>

Halifax Humane Society, Inc.
Notes To Financial Statements (continued)
December 31, 2010 And 2009

NOTE 11 – Supplemental Cash Flow Information

For the years ended December 31, 2010 and 2009, there were no interest or income taxes paid. In addition, there were no significant non-cash transactions for the years ended December 31, 2010 and 2009.

NOTE 12 – Subsequent Events

Subsequent Events were evaluated as of June 22, 2011, which is prior to the financial statement availability date of June 24, 2011.