HUMANE SOCIETY OF UTAH

Financial Statements
As of and For the Years Ended December 31, 2010 and 2009

Together with Independent Auditors' Report

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TANNER
BUSINESS ADVISORS AND CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Humane Society of Utah

We have audited the accompanying statements of financial position of The Humane Society of Utah (the 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. 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 The Humane Society of Utah 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.

Tanner LLC

September 9, 2011

THE HUMANE SOCIETY OF UTAH
Statements of Financial Position

As of December 31,

	2010	2009
Assets		
Cash	$ 218,876	$ 1,164,062
Investments	1,509,672	330,047
Accounts receivable	150,664	-
Prepaid expenses	32,596	84,400
Property and equipment, net	1,984,582	1,812,636
Investments and cash held for endowment funds	1,475,783	1,397,534
Beneficial interest in assets held by third parties	324,417	308,015
Investment property, net	70,999	74,653
Total assets	$ 5,767,589	$ 5,171,347
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$ 119,087	$ 136,247
Accrued liabilities	64,158	46,568
Total liabilities	183,245	182,815
Net assets:		
Unrestricted	3,736,524	3,265,363
Temporarily restricted	47,620	17,620
Permanently restricted	1,800,200	1,705,549
Total net assets	5,584,344	4,988,532
Total liabilities and net assets	$ 5,767,589	$ 5,171,347

For the Years Ended December 31,

	2010	2009
Change in unrestricted net assets:		
Revenues, gains, and other support:		
Contributions	$ 1,892,468	1,758,307
Clinic fees	1,105,133	1,013,377
Adoption fees	692,345	682,857
Interest and dividends	11,013	49,380
Net realized and unrealized gain on investments	106,231	73,944
Investment property income net of expenses	29,050	28,513
Other	36,563	44,709
Total unrestricted revenues, gains, and other support	3,872,803	3,651,087
Net assets released from restrictions	10,000	-
Total unrestricted revenues, gains, other support and reclassifications	3,882,803	3,651,087
Program expenses:		
Shelter	1,135,983	909,023
Clinic	1,085,840	1,024,953
Outreach adoptions	312,842	187,727
Foster	94,426	71,299
Investigations	84,790	75,159
Education	53,692	47,383
Supporting expenses:		
Management and general	299,366	254,276
Fund-raising	272,811	258,744
Volunteer special events	71,892	69,449
Total expenses	3,411,642	2,898,013
Increase in unrestricted net assets	471,161	753,074
Change in temporarily restricted net assets:		
Contributions	40,000	-
Net assets released from restrictions	(10,000)	-
Increase in temporarily restricted net assets	30,000	-
Change in permanently restricted net assets:		
Net change in investments	94,651	224,985
Increase in permanently restricted net assets	94,651	224,985
Increase in net assets	595,812	978,059
Net assets, beginning of the year	4,988,532	4,010,473
Net assets, end of the year	$ 5,584,344	$ 4,988,532

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2010

	Program Services							Supporting Services				
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fund-raising	Volunteer Special Events	Total	Overall Total
Salaries	$ 563,848	$ 471,160	$ 204,229	$ 69,081	$ 52,656	$ 32,303	$ 1,393,277	$ 82,201	$ 53,657	$ 42,327	$ 178,185	$ 1,571,462
Benefits	56,182	47,024	6,711	4,609	13,918	5,729	134,173	18,748	14,006	8,473	41,227	175,400
Payroll Taxes	42,786	36,114	16,027	5,397	4,280	2,684	107,288	9,959	4,356	3,932	18,247	125,535
Total salaries and related expenses	662,816	554,298	226,967	79,087	70,854	40,716	1,634,738	110,908	72,019	54,732	237,659	1,872,397
Advertising	67,457	29,884	13,647	451	451	1,147	113,037	5,903	12,876	935	19,714	132,751
Office	8,730	10,221	2,675	8	38	147	21,819	4,196	67,999	1,450	73,645	95,464
Liability insurance	13,797	5,643	3,366	316	316	804	24,242	5,941	316	316	6,573	30,815
Animal waste removal	15,600	6,587	-	-	-	-	22,187	-	-	-	-	22,187
Professional services	14,972	6,048	872	345	343	871	23,451	4,486	341	343	5,170	28,621
Building repairs	9,635	3,892	561	222	221	561	15,092	2,887	219	221	3,327	18,419
Surgical	3	37,807	-	-	-	-	37,810	-	-	-	-	37,810
Vaccination	26,379	301,505	-	26	-	-	327,910	-	-	-	-	327,910
Outside services	16,491	18,435	364	3,309	159	66	38,824	37,823	107,226	221	145,270	184,094
Repairs and maintenance	52,169	18,251	32,414	1,260	3,538	811	108,443	10,303	359	319	10,981	119,424
Retail store	36,571	3,648	-	-	-	-	40,219	-	-	128	128	40,347
Supplies	52,163	27,367	3,609	1,381	472	16	85,008	9,492	186	1,760	11,438	96,446
Telephone	8,078	2,656	353	139	383	353	11,962	4,175	139	139	4,453	16,415
Utilities	43,989	15,885	3,692	1,414	1,414	2,718	69,112	11,652	1,414	1,414	14,480	83,592
Depreciation	97,304	38,586	8,388	2,097	2,097	5,033	153,505	10,066	2,097	2,098	14,261	167,766
Other expenses	9,829	5,127	15,934	4,371	4,504	449	40,214	81,534	7,620	7,816	96,970	137,184
Total expenses	$ 1,135,983	$ 1,085,840	$ 312,842	$ 94,426	$ 84,790	$ 53,692	$ 2,767,573	$ 299,366	$ 272,811	$ 71,892	$ 644,069	$ 3,411,642

See accompanying notes to financial statements.

THE HUMANE SOCIETY OF UTAH
Statement of Functional Expenses

For the Year Ended December 31, 2009

	Program Services							Supporting Services				
	Shelter	Clinic	Outreach Adoptions	Foster	Investi-gations	Education	Total	Management and General	Fund-raising	Volunteer Special Events	Total	Overall Total
Salaries	$ 477,284	$ 407,450	$ 126,435	$ 56,053	$ 48,911	$ 28,896	$ 1,145,029	$ 84,071	$ 50,109	$ 38,026	$ 172,206	$ 1,317,235
Benefits	41,060	44,454	4,532	2,481	13,122	5,127	110,776	16,254	13,117	7,663	37,034	147,810
Payroll taxes	36,449	31,932	9,918	4,439	3,851	2,269	88,858	6,507	3,944	3,561	14,012	102,870
Total salaries and related expenses	554,793	483,836	140,885	62,973	65,884	36,292	1,344,663	106,832	67,170	49,250	223,252	1,567,915
Advertising	56,197	12,789	6,572	269	269	683	76,779	3,516	10,469	3,669	17,654	94,433
Office	7,329	9,877	2,497	15	214	44	19,976	5,174	60,281	2,982	68,437	88,413
Liability insurance	7,188	2,880	2,057	165	165	418	12,873	3,961	165	165	4,291	17,164
Animal waste removal	15,600	5,685	-	-	-	-	21,285	-	-	-	-	21,285
Professional services	19,068	7,642	1,110	462	437	1,110	29,829	5,713	437	437	6,587	36,416
Building repairs	581	230	33	13	13	33	903	175	13	13	201	1,104
Surgical	289	46,445	-	-	-	-	46,734	-	-	-	-	46,734
Vaccination	1,205	292,926	-	-	-	-	294,131	-	-	-	-	294,131
Outside services	15,246	8,337	577	203	221	517	25,101	40,498	98,853	265	139,616	164,717
Repairs and maintenance	43,102	13,946	14,899	268	890	773	73,878	9,478	2,019	1,058	12,555	86,433
Retail store	29,384	1,403	-	-	-	-	30,787	-	-	257	257	31,044
Supplies	12,977	80,720	1,538	436	189	27	95,887	2,664	2,640	857	6,161	102,048
Telephone	6,802	2,374	302	129	707	329	10,643	3,212	129	129	3,470	14,113
Utilities	40,285	16,143	2,345	923	923	2,345	62,964	12,070	923	923	13,916	76,880
Depreciation	85,894	34,436	7,091	1,841	1,841	4,678	135,781	8,605	1,844	1,841	12,290	148,071
Other expenses	13,083	5,284	7,821	3,602	3,406	134	33,330	52,378	13,801	7,603	73,782	107,112
Total expenses	$ 909,023	$ 1,024,953	$ 187,727	$ 71,299	$ 75,159	$ 47,383	$ 2,315,544	$ 254,276	$ 258,744	$ 69,449	$ 582,469	$ 2,898,013

	2010	2009
Cash flows from operating activities:		
Increase in net assets	$ 595,812	$ 978,059
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	167,766	148,071
Net unrealized gain on investments	(173,403)	(289,785)
Net unrealized increase on beneficial interest in assets held by third parties	(35,679)	(52,966)
Decrease (increase) in:		
Accounts receivable	(150,664)	-
Prepaid expenses	51,804	(66,008)
Increase (decrease) in:		
Accounts payable	(17,160)	91,188
Accrued liabilities	17,590	7,093
Net cash provided by operating activities	456,066	815,652
Cash flows from investing activities:		
Net change in investments	(1,084,471)	39,856
Net change in beneficial interest in assets held by third parties	19,277	-
Purchases of equipment	(336,058)	(214,490)
Net cash used in investing activities	(1,401,252)	(174,634)
Net change in cash	(945,186)	641,018
Cash at beginning of year	1,164,062	523,044
Cash at end of year	$ 218,876	$ 1,164,062
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -

1. Organization and Summary of Significant Accounting Policies

Organization

The Humane Society of Utah (the Organization) is a Utah not-for-profit organization which provides animal adoption services, medical services, cruelty investigation services related to dogs and cats, foster parent programs, and educational programs for children and adults. The Organization is supported primarily through donor contributions and fees for clinic and other services provided.

Financial Statement Presentation

The Organization reports 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.

Use of Estimates in Financial Statements

The preparation of financial statements in conformity 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.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of promises to give. In the normal course of its activities, the Organization receives promises to give which are recorded into accounts receivable. Accordingly, the Organization performs ongoing evaluations of promises to give and maintains allowances for possible losses, which when realized, have been within the range of management's expectations. Credit risk pertaining to promises to give is comprised of numerous factors including the overall economic conditions in the geographic area in which the Organization's donors are located. As of December 31, 2010, management determined that an allowance for possible losses was not necessary.

The Organization maintains its cash in bank deposit accounts which, at times, exceed federally insured limits. At December 31, 2010, the Organization did not have any bank deposit accounts that exceeded federally insured limits. To date, the Organization has not experienced a material loss or lack of access to its cash; however, no assurance can be provided that access to the Organization's cash will not be impacted by adverse conditions in the financial markets.

The Organization is dependent on a certain vendor for veterinary supplies. For the years ended December 31, 2010 and 2009, aggregate purchases from the vendor accounted for approximately 14.0% and 15.3% of total purchases in each year.

1. Organization and Summary of Significant Accounting Policies
Continued

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment
The Organization capitalizes purchases of property and equipment at cost. The fair value of donated property and equipment is similarly capitalized. The Organization capitalizes such expenditures if the purchases exceed $1,000. Minor replacements, maintenance and repairs, which do not increase the useful lives of the property, are expensed as incurred. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets or lease terms, ranging from three to thirty years.

Impairment of Long-Lived Assets
The Organization reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of activities.

Investments and Cash Held For Endowment Funds
Investments and cash held for endowment funds represent investments and cash held as the corpus of endowment funds.

Beneficial Interest in Assets Held by Third Parties
Beneficial interest in assets held by third parties represents the Organization's share of expected income from assets held under split-interest agreements. The beneficial interest is recorded at fair value.

Investment Property
The Organization owns rental property consisting of land and buildings with a cost basis of $136,800, which is held for investment. The building, which represents $98,700 of the cost basis is being depreciated on a straight-line basis over 27 years. The land has a cost basis of $38,100. Investment property is recorded net of accumulated depreciation of $65,801 and $62,147 as of December 31, 2010 and 2009, respectively. Depreciation expense was $3,654 for each of the years ended December 31, 2010 and 2009.

Revenue Recognition
The Organization recognizes revenue at the time services are performed or goods are provided, the price is fixed or determinable, and collection is reasonably assured.

1. Organization and Summary of Significant Accounting Policies *Continued*

Contributions
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and 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.

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 Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services
Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific programs and assignments; however, those services do not meet the above criteria.

In-Kind Supply Contributions
During the years ended December 31, 2010 and 2009, the Organization received in-kind contributions of certain supplies, such as pet food, newspapers, and other supplies, that have not been valued and reflected in the statements of activities due to the difficulty of assigning a fair value to such contributions. The effect of recording such contributions would be to increase contribution revenue and supplies expense, and would have no effect on the increase or decrease in unrestricted net assets or the assets of the Organization.

1. Organization and Summary of Significant Accounting Policies *Continued*

Advertising
The Organization expenses advertising costs as incurred. Total advertising expense was approximately $133,000 and $94,000 for the years ended December 31, 2010 and 2009, respectively.

Income Taxes
The Organization is a qualified charitable organization under Section 501(c)(3) of the Internal Revenue Code and under State of Utah regulations, and as such, is not subject to federal or state income taxes on related business income. The Organization is subject to taxation on unrelated business income.

As of December 31, 2010 and 2009, respectively, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization's tax years subject to tax examination are 2007, 2008, 2009 and 2010.

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

Recently Issued Accounting Pronouncements
On January 21, 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2010-06, which amends ASC 820, *Fair Value Measurements and Disclosures,* to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements for fair value. The ASU also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. Further, the ASU amends guidance on employers' disclosures about postretirement benefit plan assets under ASC 715 to require that disclosures be provided by classes of assets instead of by major categories of assets. The ASU is effective for the first reporting period (including interim periods) beginning after December 15, 2009, except for the requirement to provide the Level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which will be effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Organization does not expect the adoption of ASU 2010-06 to have a material impact on its financial statements.

1. Organization and Summary of Significant Accounting Policies *Continued*

Fair Value of Financial Instruments
Fair value is defined as the exit price or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date (see Note 6).

Subsequent Events
Management has evaluated subsequent events through the date of the independent auditors' report, which is the date these financial statements were available to be issued. See note 9.

2. Investments

Investments and cash held for endowment funds are stated at fair value and consist of the following as of December 31:

	2010	2009
Money market funds	$ 1,231,184	$ 93,073
U.S. Government securities	236,437	147,843
Corporate bonds	607,827	611,635
International mutual funds	279,573	269,403
Equities and mutual funds	630,434	605,627
	$ 2,985,455	$ 1,727,581

The above total is classified as follows in the accompanying statements of financial position as of December 31:

	2010	2009
Investments	$ 1,509,672	$ 330,047
Investments and cash held for endowment funds	1,475,783	1,397,534
	$ 2,985,455	$ 1,727,581

Total return on investments, including dividends, interest, and realized and unrealized gains was $211,895 and $348,309 for the years ended December 31, 2010 and 2009, respectively.

3. Property and Equipment

Property and equipment consist of the following as of December 31:

	2010	2009
Land	$ 427,516	$ 427,516
Building	2,029,509	2,029,509
Improvements and equipment	970,911	956,914
Vehicles	194,642	176,294
Office furniture	47,334	47,856
Construction-in-process	289,820	-
Total cost	3,959,732	3,638,089
Less accumulated depreciation	(1,975,150)	(1,825,453)
	$ 1,984,582	$ 1,812,636

Depreciation expense on property and equipment for the years ended December 31, 2010 and 2009 was $164,112 and $144,417, respectively.

4. Beneficial Interest in Assets Held By Third Parties

The Organization is named as a co-beneficiary in a trust. This is an irrevocable split-interest agreement for which the Organization is entitled to one-half of the trust's income in perpetuity. The Organization is also named as a co-beneficiary in the assets held by a private foundation, which is an irrevocable split-interest agreement entitling the Organization to a one-third share of the foundation's income in perpetuity. The earnings received in cash from the trusts and the foundation's investments are recognized as temporarily restricted until appropriated by the Board of Directors. The Organization's pro-rata interest in the assets held by the trust and the foundation is recorded based upon the fair value of the assets held by these parties, and is permanently restricted. The recorded value of the interest in the trust and the foundation is evaluated annually and the change in value is recognized in the statements of activities as a permanently restricted gain or loss. This revaluation gain for the Organization's interest in the trust and the foundation was $16,402 and $52,966 for 2010 and 2009, respectively.

5. Line of Credit

The Organization has an unsecured revolving line of credit with a financial institution in the amount of $10,000. The line of credit carries an interest rate of 12.75%. No balance was outstanding as of December 31, 2010 and 2009.

6. Fair Value Measurements

Authoritative guidance establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are market inputs participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2 inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The following tables summarize the Organization's financial assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010 and 2009, and the fair value calculation input hierarchy level that the Organization has determined applies to each asset and liability category:

As of December 31, 2010

Investments

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 1,228,538	$ -	$ -	$ 1,228,538
International mutual funds	77,693	-	-	77,693
Large cap mutual funds	88,900	-	-	88,900
Industry segment mutual funds	14,967	-	-	14,967
Moderate mutual funds	69,180	-	-	69,180
Equities	30,394	-	-	30,394
Total	$ 1,509,672	$ -	$ -	$ 1,509,672

6. Fair Value Measurements
Continued

Investments and Cash Held for Endowment Funds

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 2,646	$ -	$ -	$ 2,646
U.S. Government securities	236,437	-	-	236,437
Corporate bonds	607,827	-	-	607,827
International mutual funds	201,880	-	-	201,880
Large cap mutual funds	346,792	-	-	346,792
Real estate mutual funds	80,201	-	-	80,201
Total	$ 1,475,783	$ -	$ -	$ 1,475,783

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
T. Max and Cardella Stanger Foundation under agreement	$ -	$ 230,942	$ -	$ 230,942
Naomi R. Hoffman Charitable Trust	-	93,475	-	93,475
Total	$ -	$ 324,417	$ -	$ 324,417

As of December 31, 2009

Investments

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 89,224	$ -	$ -	$ 89,224
Equities and mutual funds	240,823	-	-	240,823
Total	$ 330,047	$ -	$ -	$ 330,047

Investments and Cash Held for Endowment Funds

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,849	$ -	$ -	$ 3,849
U.S. Government securities	147,843	-	-	147,843
Corporate bonds	611,635	-	-	611,635
Foreign securities	73,569	-	-	73,569
Equities and mutual funds	560,638	-	-	560,638
Total	$ 1,397,534	$ -	$ -	$ 1,397,534

6. Fair Value Measurements *Continued*

Beneficial Interest in Assets Held by Third Parties

Description	Level 1	Level 2	Level 3	Total
T. Max and Cardella Stanger Foundation under agreement	$ -	$ 224,820	$ -	$ 224,819
Naomi R. Hoffman Charitable Trust	-	83,195	-	83,194
Total	$ -	$ 308,015	$ -	$ 308,013

7. Temporarily Restricted Net Assets

As of December 31, 2010 and 2009, temporarily restricted net assets totaled $47,620 and $17,620, respectively, which were restricted for the purchase of a vehicle and the passage of time.

8. Endowment

FASB Accounting Standards Codification Topic 958, *Not-for-profit entities,* provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The State of Utah has adopted UPMIFA. Due to the nature of the donor restrictions accompanying the net assets, the adoption of ASC 958 did not change the way the Organization classifies investment gains (losses) earned on endowment funds.

Permanently restricted net assets (endowments) included the following as of December 31:

	2010	2009
Perpetual endowment fund	$ 1,475,783	$ 1,397,534
Beneficial interest in trust (Note 4)	93,475	83,195
Beneficial interest in foundation (Note 4)	230,942	224,820
	$ 1,800,200	$ 1,705,549

The Organization's endowment funds have been established to promote the mission of the Organization which is dedicated to the elimination of fear, pain, and suffering in all animals. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

8. Endowment
Continued

Interpretation of Relevant Law
The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Spending Policy
The Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purpose, the interest received from the beneficial interest in assets held by third parties. The perpetual endowment fund (the Fund) states that the Organization may use, for any purpose deemed appropriate by its Board of Directors in fulfilling the Organization's charitable purposes, an amount equal to four percent of the net fair market value of the assets of the Fund valued as of the first day of the Organization's fiscal year (January 1).

Return Objectives and Risk Parameters
The Organization's primary investment objectives are (1) the long-term preservation of the real (inflation adjusted) purchasing power of endowment assets and income, after accounting for endowment spending, inflation, and costs of portfolio management, and (2) to earn a total rate of return that exceeds the spending rate, and at the same time to perform well when compared with selected weighted market indices. The endowment will be invested in a diversified pool of securities with an overall emphasis on quality, diversification, and potential for earnings growth.

8. Endowment *Continued*

***Return Objectives and Risk Parameters** - Continued*

Changes in endowment net assets for the years ended December 31, 2010 and 2009 are as follows:

	2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ -	$ 1,705,549	$ 1,705,549
Interest and unrealized gains	-	-	94,651	94,651
Endowment net assets, end of the year	$ -	$ -	$ 1,800,200	$ 1,800,200

	2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ -	$ 1,480,564	$ 1,480,564
Interest and unrealized gains	-	-	224,985	224,985
Endowment net assets, end of the year	$ -	$ -	$ 1,705,549	$ 1,705,549

9. Subsequent Events

Subsequent Events

Subsequent to year end and prior to the issuance of the financial statements, the Organization signed final agreements to improve the current building and existing signage. In aggregate, these agreements totaled approximately $2.3 million in future commitments. As part of the financing of this expansion, the Organization obtained a line of credit from a bank with a credit limit of $600,000. This line of credit matures on December 1, 2017 and has a fixed interest rate of 4.25%. In addition, the Organization received a $1.1 million bequest which is temporarily restricted for exclusive use for the renovation of the dog facility. The Organization also renegotiated the Esther S. Gross endowment agreement to allow the Organization to withdraw the entire investment in the endowment upon the approval of the Organization's Board of Directors.