

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Northwest Organization for Animal Help  
Stanwood, Washington

We have audited the accompanying statement of financial position of Northwest Organization for Animal Help, ("NOAH") (a nonprofit organization) as of December 31, 2008 and 2007 and the related statements of activities and change in net assets and cash flows for the years then ended. These financial statements are the responsibility of NOAH's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NOAH as of December 31, 2008 and 2007, 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.

*Gunning, Stenson & Price, P.S.*  
Bellevue, Washington  
October 27, 2009

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

STATEMENT OF FINANCIAL POSITION  
as of December 31, 2008 and 2007

ASSETS

	<u>2008</u>	<u>2007</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted cash	\$ 356,242	\$ 532,427
Temporarily restricted	24,812	20,833
Investments	333,471	126,628
Endowment investments:		
Cash and cash equivalents, restricted	335,026	535,409
Bond fund, restricted	1,129,551	816,918
Accounts receivable	13,892	18,016
Prepaid expenses	12,951	12,951
Inventory	<u>25,707</u>	<u>15,691</u>
Total current assets	2,231,652	2,078,873
Property, plant and equipment, net of accumulated depreciation of \$896,316 and \$727,990, respectively	<u>3,385,312</u>	<u>3,498,927</u>
Total assets	<u>\$5,616,964</u>	<u>\$5,577,800</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 20,270	\$ 16,813
Accrued salaries, taxes and benefits	<u>53,952</u>	<u>49,114</u>
Total current liabilities	74,222	65,927
Commitments		
Unrestricted net assets	4,032,520	4,138,713
Temporarily restricted net assets	45,645	20,833
Permanently restricted net assets	<u>1,464,577</u>	<u>1,352,327</u>
Total net assets	<u>5,542,742</u>	<u>5,511,873</u>
Total liabilities and net assets	<u>\$5,616,964</u>	<u>\$5,577,800</u>

The accompanying notes are an integral  
part of the financial statements

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
for the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenues:		
Contributions	\$ 726,205	\$ 532,626
Service revenue	<u>355,840</u>	<u>283,494</u>
	1,082,045	816,120
Retail Sales	57,490	59,506
Cost of goods sold	<u>35,911</u>	<u>40,339</u>
Gross margin	<u>21,579</u>	<u>19,167</u>
Total revenues	1,103,624	835,287
Expenses:		
Program services	919,717	889,166
Management and general	116,857	96,142
Fund raising	<u>149,033</u>	<u>127,803</u>
Total expenses	1,185,607	1,113,111
Other income/(expense):		
Interest and dividend income	76,661	68,787
Realized (loss) on sale of investment	(5,323)	
Unrealized gain/(loss) on investment	(40,056)	7,230
Depreciation	(168,326)	(170,396)
Other	<u>(174)</u>	<u>(133)</u>
Total other	(137,218)	(94,512)
Net assets released from restrictions	127,444	210,477
Net assets moved to permanently restricted	<u>(14,436)</u>	<u>(59,977)</u>
Change in unrestricted net assets	(106,193)	(221,836)
Change in temporarily restricted assets:		
Contributions	152,256	223,310
Net assets released from temporary restrictions	<u>(127,444)</u>	<u>(210,477)</u>
Change in temporarily restricted net assets	24,812	12,833
Change in permanently restricted net assets:		
Contributions	97,814	266,282
Earnings on restricted net assets, net of unrealized loss	<u>14,436</u>	<u>59,977</u>
Change in permanently restricted net assets	<u>112,250</u>	<u>326,259</u>
Change in net assets	30,869	117,256
Net assets, beginning of period	<u>5,511,873</u>	<u>5,394,617</u>
Net assets, end of period	<u>\$5,542,742</u>	<u>\$5,511,873</u>

The accompanying notes are an integral  
part of the financial statements

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

STATEMENT OF CASH FLOWS  
for the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ 30,869	\$ 117,256
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,326	170,396
Accrued investment income, net of unrealized (gain)/loss on investments	39,474	(7,229)
Donated assets	(47,606)	
Loss on sale of asset	5,323	275
Donated vehicle	(15,850)	(1,900)
Changes in:		
Accounts receivable	4,124	5,775
Change in inventory	(10,016)	8,220
Accounts payable and accrued expenses	<u>8,295</u>	<u>13,862</u>
Total adjustments	<u>152,070</u>	<u>189,399</u>
Net cash provided by operating activities	182,939	306,655
Cash flows from investing activities:		
Additions to building	(30,705)	(2,859)
Additions to furniture, fixtures and equipment	(21,114)	(24,962)
Proceeds from sale of vehicle	17,750	1,500
Purchase of stock	(321)	
Proceeds from sale of stock	37,811	
Maturity of corporate bonds	100,000	202,552
Purchase of corporate bonds	(452,106)	(200,292)
Maturity of certificates of deposit	51,071	121,580
Purchase of certificates of deposit	<u>(257,914)</u>	<u>(126,628)</u>
Net cash used in investing activities	(555,528)	(29,109)
Net increase/(decrease) in cash	(372,589)	277,546
Cash:		
Beginning of year	<u>1,088,669</u>	<u>811,123</u>
End of year	<u>\$ 716,080</u>	<u>\$ 1,088,669</u>
Cash paid for interest	\$ <u>-0-</u>	\$ <u>-0-</u>

The accompanying notes are an integral  
part of the financial statements

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

1. NOAH and significant accounting policies:

Northwest Organization for Animal Help ("NOAH") is a nonprofit no-kill animal adoption organization incorporated in the State of Washington in 1986. NOAH is dedicated to stopping the euthanasia of healthy adoptable pets in Northwestern Washington through adoption programs, spaying or neutering, and education. In the new facility completed in 2003, NOAH provides temporary housing for approximately 20 dogs and 50 cats and the following programs:

Adoption: Dogs and cats arrive at NOAH only from overcrowded area animal shelters where they may be facing euthanasia. Before coming to NOAH, each animal is temperament tested and selected based on their good disposition and health. Once arriving at NOAH each animal is spayed or neutered, vaccinated, given a microchip identification, collar and I.D. tag. The dogs are groomed and begin basic manners training. When made available for adoption, MatchMaking is performed with potential adopters to find the most suitable home. A \$100 to \$450 adoption donation is set for each animal with adoption incentives for adopting multiple cats (adopt one and get the 2<sup>nd</sup> for half off) and half price senior citizen pricing.

Spay/Neuter: Because adoption will never stop the need for euthanasia because of severe overpopulation, NOAH also provides spay/neuter services for pets of low-income families. This target population may not otherwise be able to afford the surgical procedure and has historically been responsible for most unwanted litters of dogs and cats. NOAH offers spay and neuter service 7 days a week for a minimal fee to the pet owner.

Feral Cats: Feral (wild) cats plague most communities in the United States and this trend is also apparent in Northwestern Washington. Offering an alternative to euthanasia of these cats, NOAH supports "Trap - Neuter - Return". Feral cats are spayed or neutered for free for any member of the community. Humane traps are made available for safe capture and release.

Dog Training: Trained dogs are more valuable to pet owners and are more likely to stay in homes for their entire lifetime. Looking to promote, "Building a Bond for Life", NOAH offers reasonably priced quality dog training classes for puppies and adult dogs and are open to the public.

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

1. NOAH and significant accounting policies, continued:

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NOAH and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of NOAH or the passage of time. Temporarily restricted assets were \$24,812 and \$20,833 at December 31, 2008 and 2007, respectively.

Permanently restricted net assets – Net assets donated through specific bequests, donor generated areas subject to donor-imposed stipulations to be held in perpetuity or restricted by board designation. Investment earnings are reported as unrestricted net assets unless specifically restricted by the donor or the board. Earnings that were restricted for the year ended December 31, 2008 and 2007 were approximately \$54,500 and \$52,800, respectively. Permanently restricted net assets at December 31, 2008 and 2007 are \$1,464,577 and \$1,352,327, respectively.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e. the donor stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. It is NOAH's policy to recognize restricted contributions in the unrestricted net asset class if the restrictions have been met in the same year that the restrictions are placed.

Cash and Cash Equivalents and Short-Term Investments

All highly liquid investments with an original maturity of three months or less are considered to be cash equivalents. Short-term investments consist of certificate of deposits with original maturities of six to thirty-six months. The aggregate amount of cash and cash equivalents and certificates of deposit with several banks exceeds the Federally insured limit.

Investments

Investments at December 31, 2008 and 2007 consist primarily of Certificates of Deposit with various interest rates and maturity dates.

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

1. NOAH and significant accounting policies, continued:

Inventories

Inventories are carried at the lower of cost or market based on a first-in, first-out basis.

Management 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.

Property, Depreciation and Amortization

Furniture and equipment, with the exception of donated assets, are stated at cost. Additions and improvements are capitalized; repairs and maintenance are charged to expense. Donated assets are recognized as income and are capitalized at their estimated fair market values when received. Depreciation is provided by the straight-line method over the estimated useful lives of the properties of five to thirty years.

The cost and related accumulated depreciation and amortization of assets sold are removed from the accounts and resulting gains or losses, if any, are reflected in other revenues.

Contributions

NOAH's practice is to record contributions as revenue when collected. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Classification and Recognition of Expenses

The cost of providing various services or activities of NOAH is reported on a functional basis. Costs that apply to more than one functional purpose are allocated among functions using an appropriate basis. Allocation factors include space occupied, employee time incurred and other pertinent criteria.

Fund-raising costs are expensed as incurred.

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

1. NOAH and significant accounting policies, continued:

Donated Services

If the value of contributed services or time meets the criteria for recognition of contributed services contained in Statements of Financial Accounting Standards No. 116, ("SFAS No 116") they are reflected in the accompanying financial statements accordingly. Donated services or time are reflected as contributions at their estimated fair market values at the date of receipt. No amounts are recorded in the financial statements for donated services that have no objective basis available to measure the value of such services. A number of volunteers and businesses have donated their time or services to the program services and fund-raising activities of NOAH.

Income Tax Status

NOAH is exempt from Federal income tax as a nonprofit organization as defined in Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is reflected in these financial statements.

As a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code, contributions to NOAH may be tax deductible.

Reclassification

Certain amounts presented in the Net Assets and Change in Net Assets for the year ended December 31, 2007, have been reclassified in order to be consistent with the presentation of Net Assets and Change in Net Assets for the year ended December 31, 2008, with no effect on Net Assets or Change in Net Assets for the year ended December 31, 2007.

2. Fair Value of Financial Instruments:

Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments whether or not recognized, for financial statement purposes. Disclosure about fair value of financial instruments is based on pertinent information available to management at December 31, 2008. Considerable judgment is necessary to interpret market data and develop estimated fair values. Accordingly, the estimates presented are not necessarily indicative of the amount which could be realized on disposition of the financial instruments. The use of different market assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. Management believes that the fair value of cash and cash equivalents, accounts receivable and payable, investments and short term investments approximates carrying value based upon the high liquidity of the instruments.

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

2. Fair Value of Financial Instruments continued:

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 provides companies with an option to report selected financial assets and liabilities at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007.

Management does not anticipate it will have a material effect on NOAH's financial condition or results of operations. NOAH did not elect the fair value option as allowed by SFAS 159 for its financial assets and liabilities that were not previously carried at fair value. Therefore, material financial assets and liabilities that are not carried at fair value, such as short-term and long-term debt obligations (if any) and trade accounts receivable and payable are still reported at their historical carrying values.

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principals, and expands disclosures about fair value measurements. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007 and interim periods within those fiscal years.

NOAH adopted the methods of measuring fair value described in SFAS No. 157. As defined in SFAS No. 157, fair value is based on the prices 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. In order to increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a three-tier fair value hierarchy that prioritizes the inputs used to measure fair value. These tiers include:

Level 1 – defined as observable inputs such as quoted market prices in active markets.

Level 2 – defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 – defined as unobservable inputs for which little or no market data exists, thereby requiring an entity to develop its own assumptions.

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

2. Fair Value of Financial Instruments, continued:

At December 31, 2008, NOAH has certain assets that are required to be measured at fair value on a recurring basis. All bond fund investments (included in Level 1) are recorded at fair value. Management has chosen to disclose the estimated fair value of all investments. The assets and the respective estimated fair values are classified in the table below in one of the three categories of the fair value hierarchy described above.

<u>Description</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bonds	\$1,171,110	\$1,129,551	\$1,129,551		

Level 1 inputs consist of the amount of bonds owned by NOAH adjusted to the publically traded market price on December 31, 2008 for bonds of similar term, rate and quality.

3. Accounts Receivable:

Included in accounts receivable at December 31, 2008 and 2007 are the following unconditional promises to give:

	<u>2008</u>	<u>2007</u>
Amounts due in 1 year	\$ 5,000	\$ 5,000
Amounts due in 2 to 4 years	10,000	15,000
Gross pledges receivable	15,000	20,000
Less unamortized discount (5%)	(1,384)	(2,270)
Net pledges receivable	<u>\$13,616</u>	<u>\$17,730</u>

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

4. Investments:

Investments in the Endowment at December 31, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Bonds:		
Cost	\$1,171,110	\$ 818,421
Unrealized loss	<u>(41,559)</u>	<u>(1,503)</u>
Fair Market Value – Restricted	1,129,551	816,918
Cash and cash equivalents - Restricted	<u>335,026</u>	<u>535,409</u>
Total	<u>\$1,464,577</u>	<u>\$1,352,327</u>

5. Related party activities:

Certain members of the board of directors and management of NOAH are also major donors. NOAH has received a substantial amount of support from a single donor, who is also a board member, over the last several years. There is no assurance that the same level of support will continue from that donor.

6. Property, Plant and Equipment:

At December 31, property, plant and equipment consisted of the following:

	<u>2008</u>	<u>2007</u>
Land and land improvements	\$ 118,845	\$ 118,845
Building	3,935,887	3,905,182
Furniture, fixtures and equipment	193,567	167,662
Vehicles	<u>33,329</u>	<u>35,228</u>
	4,281,628	4,226,917
Less accumulated depreciation	<u>(896,316)</u>	<u>(727,990)</u>
Total	<u>\$3,385,312</u>	<u>\$3,498,927</u>

Continued

NORTHWEST ORGANIZATION  
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

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7. Retirement Plan:

NOAH has a 403(b) retirement plan for the exclusive benefit of its employees. Employees may defer a percentage of their salary (minimum deferral of \$200 annually) immediately upon employment at NOAH, within limitations set forth by the plan. The plan also provides that NOAH may make a discretionary contribution of up to 3% of the compensation of eligible employees. Eligible employees are employees that have more than one year of service, as defined in the plan. Employees are fully vested in all deferrals, discretionary matches and account earnings. NOAH's expense for the year ended December 31, 2008 and 2007 for the plan was approximately \$11,900 and \$10,700, respectively.

Continued

SUPPLEMENTAL DATA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Northwest Organization for Animal Help  
Stanwood, Washington

Our report on the audit of the financial statements of Northwest Organization for Animal Help as of December 31, 2008 and 2007 and for the years then ended appears on Page 1. This audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Expenses for the year ended December 31, 2008 and 2007 on page 14 and 15 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Gunning, Stenson & Price, P.S.*  
Bellevue, Washington  
October 27, 2009

GUNNING STENSON & PRICE  
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NORTHWEST ORGANIZATION FOR ANIMAL HELP

SCHEDULE OF EXPENSES

For the year ended December 31, 2008

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages, benefits and taxes	\$670,582	\$95,408	\$ 92,594	\$858,584
Human resources	4,848	484	228	5,560
Office supplies	4,167	1,558	1,278	7,003
Dues and licenses	1,625	546	835	3,006
Postage and printing	16,298	271	11,253	27,822
Marketing and advertising	1,651		1,555	3,206
Professional services	31,093	13,627		44,720
Utilities and rent	68,241	2,123		70,364
Automobile expense	4,780		270	5,050
Insurance	18,869	1,641		20,510
Repairs and maintenance	7,021	90		7,111
Volunteer coordination		626		626
Kennel and cleaning supplies	18,948			18,948
Medical supplies	45,744		233	45,977
Surgical supplies	18,199			18,199
Dog training	584			584
Events	650		40,753	41,403
Bank charges	<u>6,417</u>	<u>483</u>	<u>34</u>	<u>6,934</u>
<b>Total</b>	<b><u>\$919,717</u></b>	<b><u>\$116,857</u></b>	<b><u>\$149,033</u></b>	<b><u>\$1,185,607</u></b>
Percentage of total expenses	<u>77.57%</u>	<u>9.86%</u>	<u>12.57%</u>	<u>100.00%</u>

NORTHWEST ORGANIZATION FOR ANIMAL HELP

SCHEDULE OF EXPENSES

For the year ended December 31, 2007

	<u>Program Services</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages, benefits and taxes	\$607,040	\$74,764	\$ 87,468	\$ 769,272
Human resources	3,421	238	347	4,006
Office supplies	6,360	679	1,302	8,341
Dues and licenses	2,854	371	10	3,235
Postage	2,219	295	2,544	5,058
Printing	16,044	142	6,395	22,581
Marketing and advertising	2,340		2,257	4,597
Professional services	45,246	14,015		59,261
Utilities and rent	65,777	1,976	25	67,778
Automobile expense	1,678		116	1,794
Insurance	19,047	1,912		20,959
Repairs and maintenance	9,445		377	9,822
Volunteer coordination		1,658		1,658
Kennel and cleaning supplies	28,561			28,561
Medical supplies	58,097			58,097
Surgical supplies	14,591			14,591
Dog training	633			633
Events	590	52	26,905	27,547
Bank charges	<u>5,223</u>	<u>40</u>	<u>57</u>	<u>5,320</u>
<b>Total</b>	<b><u>\$889,166</u></b>	<b><u>\$96,142</u></b>	<b><u>\$127,803</u></b>	<b><u>\$1,113,111</u></b>
Percentage of total expenses	<u>79.88%</u>	<u>8.64%</u>	<u>11.48%</u>	<u>100.00%</u>