

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, 2010 and 2009 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, 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.

Gunning Stenson & Price CPAs

Bellevue, Washington
October 20, 2011

NORTHWEST ORGANIZATION
FOR ANIMAL HELP

STATEMENT OF FINANCIAL POSITION
as of December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents:		
Unrestricted cash	\$ 369,723	\$ 423,879
Temporarily restricted	3,621	
Investments	139,899	442,956
Endowment investments:		
Cash and cash equivalents, restricted	342,500	264,068
Bond fund, restricted	1,909,910	1,868,686
Accounts receivable	136,488	10,457
Prepaid expenses	4,159	4,610
Inventory	<u>28,604</u>	<u>35,372</u>
Total current assets	2,934,904	3,050,028
Property, plant and equipment, net of accumulated depreciation of \$1,235,359 and \$1,066,542, respectively	<u>3,142,560</u>	<u>3,288,770</u>
Total assets	<u>\$6,077,464</u>	<u>\$6,338,798</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 22,753	\$ 33,695
Accrued salaries, taxes and benefits	<u>83,516</u>	<u>72,570</u>
Total current liabilities	106,269	106,265
Commitments		
Unrestricted net assets	3,715,164	4,099,779
Temporarily restricted net assets	3,621	
Permanently restricted net assets	<u>2,252,410</u>	<u>2,132,754</u>
Total net assets	<u>5,971,195</u>	<u>6,232,533</u>
Total liabilities and net assets	<u>\$6,077,464</u>	<u>\$6,338,798</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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenues:		
Contributions	\$ 793,111	\$1,455,119
Service revenue	<u>450,012</u>	<u>418,499</u>
	1,243,123	1,873,618
Retail Sales	77,812	66,651
Cost of goods sold	<u>48,768</u>	<u>28,540</u>
Gross margin	<u>29,044</u>	<u>38,111</u>
Total revenues	1,272,167	1,911,729
Expenses:		
Program services	1,405,699	1,211,535
Management and general	109,913	131,632
Fund raising	<u>171,607</u>	<u>180,965</u>
Total expenses	1,687,219	1,524,132
Other income/(expense):		
Interest and dividend income	84,914	93,881
Realized (loss) on sale of investment	1,900	255
Unrealized gain/(loss) on investment	41,943	90,592
Depreciation	(178,540)	(170,329)
Other	<u>(230)</u>	<u>(249)</u>
Total other	(50,013)	14,150
Net assets released from restrictions	200,106	333,689
Net assets moved to permanently restricted	<u>(119,656)</u>	<u>(668,177)</u>
Change in unrestricted net assets	80,450	(334,488)
Change in temporarily restricted assets:		
Contributions	203,727	288,044
Net assets released from temporary restrictions	<u>(200,106)</u>	<u>(333,689)</u>
Change in temporarily restricted net assets	3,621	(45,645)
Change in permanently restricted net assets:		
Transfer by board to permanently restricted		500,000
Earnings on restricted net assets, net of unrealized loss	<u>119,656</u>	<u>168,177</u>
Change in permanently restricted net assets	<u>119,656</u>	<u>668,177</u>
Change in net assets	(261,338)	689,791
Net assets, beginning of period	<u>6,232,533</u>	<u>5,542,742</u>
Net assets, end of period	<u>\$5,971,195</u>	<u>\$6,232,533</u>

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part of the financial statements

NORTHWEST ORGANIZATION
FOR ANIMAL HELP

STATEMENT OF CASH FLOWS
for the years ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ (261,338)	\$ 689,791
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	168,817	170,329
Accrued investment income, net of unrealized (gain)/loss on investments	(24,264)	(93,316)
Changes in:		
Accounts receivable	(126,031)	3,435
Prepaid expenses	451	8,341
Change in inventory	6,768	(9,665)
Accounts payable and accrued expenses	4	32,043
Total adjustments	<u>25,745</u>	<u>111,167</u>
Net cash provided by/(used in) operating activities	(235,593)	800,958
Cash flows from investing activities:		
Additions to building	(3,347)	(57,294)
Additions to furniture, fixtures and equipment	(5,190)	(16,493)
Proceeds from sale of vehicle	9,608	
Purchase of vehicle	(23,678)	
Maturity of corporate bonds	100,000	201,041
Purchase of corporate bonds	(116,960)	(846,860)
Maturity of certificates of deposit	751,563	470,351
Purchase of certificates of deposit	<u>(448,506)</u>	<u>(579,836)</u>
Net cash used in investing activities	263,490	(829,091)
Net increase/(decrease) in cash	27,897	(28,133)
Cash:		
Beginning of year	<u>687,947</u>	<u>716,080</u>
End of year	<u>\$ 715,844</u>	<u>\$ 687,947</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 and treatable dogs and cats by transferring these pets from partner shelters. NOAH is dedicated to building a bond for life between pets and their families through quality pet adoptions, dog training, low-income spaying and neutering, humane education and volunteer programs. The NOAH facility, completed in 2003, 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 2nd 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
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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 \$3,621 and zero at December 31, 2010 and 2009, 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, 2010 and 2009 were approximately \$77,700 and \$77,600, respectively. Permanently restricted net assets at December 31, 2010 and 2009 are \$2,252,410 and \$2,071,466, 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, 2010 and 2009 consist primarily of Certificates of Deposit with various interest rates and maturity dates.

Continued

NORTHWEST ORGANIZATION
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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.

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NORTHWEST ORGANIZATION
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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 FASB Accounting Standards Codification 958 "Not for Profit Entities", 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.

2. Fair Value of Financial Instruments:

FASB Accounting Standards Codification 825, "Financial Instruments" ("FASC 825") 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, 2010. 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
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NOTES TO FINANCIAL STATEMENTS

2. Fair Value of Financial Instruments, continued:

FASC 825 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 FASC 825 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.

FASB Accounting Standards Codification 820 "Fair Value Measurements and Disclosures" ("FASC 820") 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 FASC 820. As defined in FASC 820, 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, FASC 820 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.

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NORTHWEST ORGANIZATION
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

2. Fair Value of Financial Instruments, continued:

At December 31, 2010, 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.

As of December 31, 2010:

<u>Description</u>	<u>Net Amortized Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bonds	\$1,818,935	\$1,909,910	\$1,909,910		

As of December 31, 2009:

<u>Description</u>	<u>Net Amortized Cost</u>	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Corporate Bonds	\$1,819,654	\$1,868,686	\$1,868,686		

Level 1 inputs consist of the amount of bonds owned by NOAH adjusted to the publically traded market price on December 31, 2010 and 2009, respectively, for bonds of similar term, rate and quality.

3. Accounts Receivable:

Included in accounts receivable at December 31, 2010 and 2009 are the following unconditional promises to give:

	<u>2010</u>	<u>2009</u>
Amounts due in 1 year	\$10,000	\$ 5,000
Amounts due in 2 to 4 years	<u> </u>	<u>5,000</u>
Gross pledges receivable	10,000	10,000
Less unamortized discount (5%)	<u>(703)</u>	<u>(703)</u>
Net pledges receivable	<u>\$ 9,297</u>	<u>\$ 9,297</u>

Continued

NORTHWEST ORGANIZATION
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

4. Investments:

Investments in the Endowment at December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Bonds:		
Net Amortized Cost	\$1,818,935	\$1,819,654
Unrealized gain/(loss)	<u>90,975</u>	<u>49,032</u>
Fair Market Value – Restricted	1,909,910	1,868,686
Cash and cash equivalents - Restricted	<u>342,500</u>	<u>264,068</u>
Total	<u>\$2,252,410</u>	<u>\$2,132,754</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>2010</u>	<u>2009</u>
Land and land improvements	\$ 118,845	\$ 118,845
Building	3,996,527	3,993,180
Furniture, fixtures and equipment	215,148	209,957
Vehicles	<u>47,399</u>	<u>33,329</u>
	4,377,919	4,355,311
Less accumulated depreciation	<u>(1,235,359)</u>	<u>(1,066,541)</u>
Total	<u>\$ 3,142,560</u>	<u>\$ 3,288,770</u>

Continued

NORTHWEST ORGANIZATION
FOR ANIMAL HELP

NOTES TO FINANCIAL STATEMENTS

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, 2010 and 2009 for the plan was approximately \$14,474 and \$7,700, respectively.

8. Subsequent Events:

Subsequent events have been evaluated through October 20, 2011, the date that the financial statements were available to be issued.

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, 2010 and 2009 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, 2010 and 2009 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 CPA's

Bellevue, Washington
October 20, 2011

GUNNING STENSON & PRICE
Certified Public Accountants

Key Bank Building • 10655 NE 4th Street, Suite 611 • Bellevue, Washington 98004 • Phone: 425.462-1151 Fax: 425.454-2691

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NORTHWEST ORGANIZATION FOR ANIMAL HELP

SCHEDULE OF EXPENSES

For the year ended December 31, 2010

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages, benefits and taxes	\$1,013,649	\$90,166	\$106,557	\$1,210,372
Human resources	5,381	1,015	152	6,548
Office supplies	5,854	1,617	4,661	12,132
Dues and licenses	1,665	166	1,053	2,884
Postage and printing	17,312	587	17,303	35,202
Marketing and advertising	4,496		2,946	7,442
Professional services	79,396	12,250		91,646
Utilities and rent	64,858	1,862		66,720
Automobile expense	10,526		130	10,656
Insurance	15,070	1,642		16,712
Repairs and maintenance	11,415	72	103	11,590
Volunteer coordination		85		85
Kennel and cleaning supplies	34,350			34,350
Medical supplies	89,728			89,728
Surgical supplies	43,358			43,358
Dog training	852			852
Events	412		38,397	38,809
Bank charges	<u>7,377</u>	<u>451</u>	<u>305</u>	<u>8,133</u>
Total	<u>\$1,405,699</u>	<u>\$109,913</u>	<u>\$171,607</u>	<u>\$1,687,219</u>
Percentage of total expenses	<u>83.31%</u>	<u>6.51%</u>	<u>10.17%</u>	<u>100.00%</u>

NORTHWEST ORGANIZATION FOR ANIMAL HELP

SCHEDULE OF EXPENSES

For the year ended December 31, 2009

	<u>Program Services</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Wages, benefits and taxes	\$ 811,599	\$104,877	\$ 94,077	\$1,010,553
Human resources	3,788	740	329	4,857
Office supplies	7,978	2,641	3,833	14,452
Dues and licenses	2,634	374	1,020	4,028
Postage and printing	8,374	431	34,210	43,015
Marketing and advertising	2,674		10,057	12,731
Professional services	87,583	14,410		101,993
Utilities and rent	67,808	1,868		69,676
Automobile expense	3,374	250	89	3,713
Insurance	26,222	1,603		27,825
Repairs and maintenance	30,807	667	22	31,496
Volunteer coordination		3,659		3,659
Kennel and cleaning supplies	30,650			30,650
Medical supplies	75,058			75,058
Surgical supplies	43,693			43,693
Dog training	643			643
Events	360		37,204	37,564
Bank charges	<u>8,290</u>	<u>112</u>	<u>124</u>	<u>8,526</u>
Total	<u>\$1,211,535</u>	<u>\$131,632</u>	<u>\$180,965</u>	<u>\$1,524,132</u>
Percentage of total expenses	<u>79.49%</u>	<u>8.64%</u>	<u>11.87%</u>	<u>100.00%</u>