

CATSKILL ANIMAL SANCTUARY, INC.

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2011

CATSKILL ANIMAL SANCTUARY, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Catskill Animal Sanctuary
316 Old Stage Road
Saugerties, New York 12477

We have audited the accompanying statement of financial position of the Catskill Animal Sanctuary, Inc. (the Organization) as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based upon 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 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 Catskill Animal Sanctuary as of December 31, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Sickler, Torchia, Allen & Churchill CPA's PC

Sickler, Torchia, Allen & Churchill, CPA's, PC
October 5, 2012

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

Current Assets

Cash and cash equivalents	\$ 1,416,630
Contributions receivable	370,447
Inventory	44,772
Prepays and other assets	<u>1,183</u>
Total Current Assets	<u>1,833,032</u>

Property and equipment (net)	<u>1,922,247</u>
Total Assets	<u><u>3,755,279</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	16,160
Accrued expenses	<u>4,094</u>
Total Current Liabilities	<u>20,254</u>

Long Term Liabilities

-

NET ASSETS

Unrestricted	<u>3,735,025</u>
Total Net Assets	<u>3,735,025</u>
Total Liabilities & Net Assets	<u><u>\$ 3,755,279</u></u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>REVENUES AND SUPPORT</u>				
Contributions	\$ 840,217	817,444	-	\$1,657,661
Program service revenue	131,928	-	-	131,928
Interest income	11,652	-	-	11,652
Other revenue	<u>21,725</u>	<u>-</u>	<u>-</u>	<u>21,725</u>
	<u>1,005,522</u>	<u>817,444</u>	<u>-</u>	<u>1,822,966</u>
<u>Net assets released from restrictions</u>				
Satisfaction of Program Restriction	<u>817,444</u>	<u>(817,444)</u>	<u>-</u>	<u>-</u>
Total revenues and support	<u>1,822,966</u>	<u>-</u>	<u>-</u>	<u>1,822,966</u>
<u>EXPENSES</u>				
Program service expenses	677,685	-	-	677,685
General and administrative expenses	98,603	-	-	98,603
Fundraising	<u>38,215</u>	<u>-</u>	<u>-</u>	<u>38,215</u>
Total expenses	<u>814,503</u>	<u>-</u>	<u>-</u>	<u>814,503</u>
Change in net assets	1,008,463	-	-	1,008,463
Net assets beginning of year	2,722,011	-	-	2,722,011
Adjustments to beginning of year	<u>4,551</u>	<u>-</u>	<u>-</u>	<u>4,551</u>
Net assets end of year	<u>\$3,735,025</u>	<u>-</u>	<u>-</u>	<u>\$3,735,025</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF CASH FLOWS
DECEMBER 31, 2011

<u>Cash Flows from Operating Activities</u>	
Cash received from contributions and fundraising	\$ 1,132,541
Cash paid for program service fees	(174,526)
Cash paid to employees and suppliers	(762,772)
Interest income	11,652
Other income	21,725
Net Cash Provided (Used) by Operating Activities	<u>228,620</u>
 <u>Cash Flows from Investing Activities</u>	
Purchase of land, buildings, and equipment	<u>(532,822)</u>
Net Cash Used by Investing Activities	<u>(532,822)</u>
 Net increase (decrease) in cash and cash equivalents	 (304,202)
 Cash and cash equivalents at beginning of year	 <u>1,720,832</u>
 Cash and cash equivalents at end of year	 <u>\$ 1,416,630</u>
 <u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>	
 Change in net assets	 \$ 1,008,463
 <u>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities</u>	
Depreciation	47,136
Non-cash donation	(525,120)
Decrease (Increase) in grants and contracts receivable	(306,454)
(Decrease) Increase in inventory	(2,114)
Decrease (Increase) in prepaid expenses	1,183
(Decrease) Increase in accounts payable	(14,857)
(Decrease) Increase in accrued expenses	15,743
(Decrease) Increase in prior period adjustment	4,640
Total adjustments	<u>(779,843)</u>
Net Cash Provided by Operating Activities	<u>\$ 228,620</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2011

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and payroll expenses	\$ 287,236	49,044	10,196	\$ 346,476
Advertising	9,149	-	1,889	11,038
Animal care and supplies	192,993	-	-	192,993
Farm repairs and maintenance	58,225	-	-	58,225
Utilities	15,336	3,176	660	19,172
Office expense	30,708	4,971	1,081	36,760
Contract services	4,390	33,202	6,934	44,526
Education	28,049	-	-	28,049
Fundraising events and merchandise	-	-	15,748	15,748
Insurance and property taxes	9,008	1,538	320	10,866
Depreciation	39,076	6,672	1,387	47,135
Bad debt expense	3,515	-	-	3,515
Total expenses	<u>\$ 677,685</u>	<u>98,603</u>	<u>38,215</u>	<u>\$ 814,503</u>

See accountants report and notes to financial statements.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1- ORGANIZATION AND NATURE OF ACTIVITIES

Catskill Animal Sanctuary, Inc. is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code. The Organization is incorporated in the State of New York.

Catskill Animal Sanctuary, Inc. was organized to provide a safe haven for abused, abandoned and neglected farm animals, to raise awareness of the treatment of these animals and its impact on the environment, and to serve as an educational resource to schools and other community organizations.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Statement Presentation

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

The cost of providing the Organization's various programs, supporting services and fundraising has been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization follows FASB ASC 958-210. Under this statement, the Organization is required to report information regarding its financial position and activities according to the following three classes of net assets:

Unrestricted Net Assets — Unrestricted net assets generally result from assets derived from providing services, receiving unrestricted contributions, realized gains, assets, less expenses incurred in providing services, raising contributions and performing administrative functions.

Temporarily Restricted Net Assets —Temporarily restricted net assets generally result from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations.

Permanently Restricted Net Assets — Permanently restricted net assets consist of endowment fund investments to be held indefinitely, the income of which is expendable to support program and operating activities.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Property and Equipment

Purchased property and equipment is stated at cost, and depreciated on a straight-line basis over the estimated useful lives of the assets. Additions, renewals and improvements are capitalized, unless of relatively minor amounts.

Inventory

Inventory is recorded at the lower of cost (average cost method) or market, determined by the first-in-first-out (FIFO) method.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is not liable for income taxes if it operates within the confines of its exempt status, though the Organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Organization could be changed if an adjustment in the tax exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities. The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2008—2010. Management continually evaluates expiring statutes of limitation, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization believes their estimates are appropriate based on current facts and circumstances.

Catskill Animal Sanctuary, Inc. had no income tax liabilities for the year 2011, and as such, no provision for income taxes is included in the accompanying financial statements.

Contributed Services

The Organization recognizes revenue for certain services received at the fair value of those services. In the absence of donor-imposed restrictions, those services are recorded as unrestricted support.

Contributed Property and Equipment

The Organization recognizes revenue for contributed property and equipment at its fair value at the date of contribution. In the absence of donor-imposed restrictions, contributions of property and equipment are recorded as unrestricted support. Contributions of fixed assets are capitalized, unless of relatively minor amounts. Contributions of property and equipment totaled \$517,444 in 2011 of which all was capitalized.

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

The Organization follows FASB ASC 958-210, Accounting for Contributions Received and Contributions Made. Under this statement, the Organization records revenue as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of donor-imposed restrictions. When the conditions relating to the restriction are met, the temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the contribution as unrestricted.

Grants Receivable

Grants Receivable is stated at the amount management expects to collect. Management provides for uncollectible amounts using the valuation method. At December 31, 2011, there were no grants receivables.

Contributions Receivable

Contributions Receivable is stated at their estimated collectible amounts. Contributions receivable is periodically evaluated for collectability based on factors such as past history and prior loss experience. These receivables are charged against their respective allowance accounts when such receivables are deemed uncollectable. At December 31, 2011, contributions receivable totaled \$370,447. Management expects to collect this amount in full in 2012.

Functional Allocation Expenses

The costs of providing program services and other activities have been summarized on a functional basis in the consolidated financial statements. Accordingly, certain costs have been allocated among programs and supporting services benefited.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2011:

		<u>Estimated Life</u>
Buildings and improvements	\$ 1,262,684	39 years
Equipment	74,337	7 years
Vehicles	41,788	5 years
Land	<u>700,112</u>	
	2,078,921	
Less: accumulated depreciation	<u>(156,674)</u>	
Fixed Assets, Net	<u>\$ 1,922,247</u>	

See accountants report.

CATSKILL ANIMAL SANCTUARY, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2011

NOTE 4- CONCENTRATIONS OF CREDIT RISK / MAJOR CONTRIBUTORS

The Organization maintains cash and money market deposit accounts at four banks. As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act beginning December 31, 2010, non interest bearing accounts will have unlimited insurance coverage through the Federal Deposit Insurance Corporation for two years and interest bearing accounts will be insured up to \$250,000 per bank. Also, the Organization is covered through the National Credit Union Share Insurance Fund. The maximum share insurance amount is \$250,000 per bank. At December 31, 2011, the Organization's bank balances totaled \$1,367,845 and its uninsured cash and money market deposit balances totaled \$385,374.

The Organization is economically dependent upon contributions from the general public to finance its activities. For the year ended December 31, 2011, the Organization had one single individual contributor whose contributions represented more than 10% of all contributions received from the general public. Contributions from this individual totaled \$525,120, a non-cash contribution, in 2011. In addition, the Organization had one grantor foundation whose grant represented more than 10% of all foundation and trust grants received. Total contributions from this foundation totaled \$385,000 in 2011.

NOTE 5- RELATED PARTY TRANSACTIONS

The Organization provides housing to be used by the acting director or whoever is on call in his or her absence. The purpose of this residence is to ensure that someone is present at the Sanctuary at all times to cover emergencies.

NOTE 6- TEMPORARILY RESTRICTED ASSETS

There are no net assets restricted as to purpose at December 31, 2011.

NOTE 7 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through October 5, 2012, the date the financial statements were available to be issued.

NOTE 8 – ADJUSTMENTS TO BEGINNING NET ASSETS

The total net assets beginning January 1, 2011, have been adjusted as follows:

Total Net Assets - beginning	\$ 2,772,011
Prior year unrecorded expenses	<u>4,511</u>
Total adjusted net assets - beginning	<u><u>\$ 2,776,522</u></u>

See accountants report.