

**Alley Cat Rescue, Inc.
Financial Statements
July 31, 2010**

With Independent Auditors' Report Thereon

Alley Cat Rescue, Inc.
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(301) 340-1550
(301) 340-0505 Fax

15020 Shady Grove Road
Suite 460
Rockville, Maryland 20850

Independent Auditors' Report

To The Board of Directors
Alley Cat Rescue, Inc.
Brentwood, Maryland

We have audited the accompanying statement of financial position of Alley Cat Rescue, Inc. as of July 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Alley Cat Rescue, Inc.'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 Alley Cat Rescue, Inc. as of July 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 12 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying account and other records used to prepare the financial statements. The information has been subjected to the auditing procedure applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

June 28, 2011
Rockville, Maryland

Arklin & Company, Chartered

Alley Cat Rescue, Inc.
Statement of Financial Position
July 31, 2010

Assets

Current Assets	
Cash	\$ 15,773
Contributions receivable	484,918
Inventory	<u>2,354</u>
Total Current Assets	503,045
Property, Plant and Equipment, net	19,931
Officer's Loan	<u>6,274</u>
Total Assets	<u><u>\$ 529,250</u></u>

Liabilities and Net Assets

Current Liabilities	
Accounts payable	\$ 100,226
Accrued expenses	<u>35,421</u>
Total Current Liabilities	<u>135,647</u>
Net Assets	
Unrestricted	(91,315)
Temporarily restricted	<u>484,918</u>
Total Net Assets	<u>393,603</u>
Total Liabilities and Net Assets	<u><u>\$ 529,250</u></u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statement of Activities
For the Year Ended July 31, 2010

Change in Unrestricted Net Assets	
Support and Revenue	
Public Support	
Contributions and donations	\$ 1,099,945
Federated and non-federated campaigns	6,431
Legacies and bequests	42,142
Adoption fees	7,200
Net assets released from restrictions:	
Expiration of time restrictions	320,055
Total Public Support	<u>1,475,773</u>
Other Revenue	
Merchandise sales, net	(1,586)
Interest income	43
Total Other Revenue	<u>(1,543)</u>
Total Support and Revenue	<u>1,474,230</u>
Expenses	
Program	
Newsletters and Publications	136,814
Promote Spay and Neuter	271,237
Education and Public Relations	138,225
Adoption Program	364,747
National Cat Action Teams	36,442
Prevention	250,139
Total Program Expenses	<u>1,197,604</u>
Supporting Services	
Management and general	61,424
Development	202,269
Total Supporting Services	<u>263,693</u>
Total Expenses	<u>1,461,297</u>
Change in Unrestricted Net Assets	<u>\$ 12,933</u>

The accompanying notes are an integral part of the financial statements

Change in Temporarily Restricted Net Assets	
Federated and non-federated campaigns	\$ 224,548
Legacies and bequests	144,080
Net assets released from restrictions:	
Expiration of time restrictions	(320,055)
Change in Temporarily Restricted Net Assets	<u>48,573</u>
Total Change in Net Assets	<u>61,506</u>
Net Assets, beginning of year as previously recorded	117,237
Prior-Period Adjustment - correct recording of pledges receivable	<u>214,860</u>
Net Assets, beginning of year as restated	<u>332,097</u>
Net Assets, end of year	\$ <u><u>393,603</u></u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statement of Cash Flows
For the Year Ended July 31, 2010

Cash Flows From Operating Activities	
Change in net assets	\$ 61,506
Adjustment to reconcile change in net assets to net cash used in operating activities:	
Depreciation	3,499
Change in assets and liabilities	
Increase in accounts receivable	(48,573)
Increase in inventory	(179)
Decrease in prepaid expenses	108
Decrease in accounts payable	(41,305)
Decrease in accrued expenses	<u>7,734</u>
Net Cash Used In Operating Activities	<u>(17,210)</u>
Cash Flows From Investing Activities	
Acquisition of property, plant, and equipment	<u>(7,442)</u>
Net Cash Used In Investing Activities	<u>(7,442)</u>
Cash Flows From Financing Activities	
Increase in officer loan	(3,844)
Repayment of line of credit	<u>(4,018)</u>
Net Cash Used In Financing Activities	<u>(7,862)</u>
Net Decrease in Cash and Cash Equivalents	(32,514)
Cash and Cash Equivalents, Beginning of Year	<u>48,287</u>
Cash and Cash Equivalents, End of Year	<u>\$ 15,773</u>
Supplemental Disclosure of Cash Flows Information:	
Interest expense	<u>\$ -</u>
income taxes paid during the year	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 1 Organization

Alley Cat Rescue, Inc. (ACR), a non-profit organization, was incorporated under the laws of the state of Delaware in 1997. ACR is part of an international campaign to stabilize and reduce the number of domestic and feral cats. ACR works to protect cats on several levels: locally through rescue, rehabilitation and adoption of cats and nationally through a network of Cat Action Teams, called CAT. ACR is dedicated to the health, well-being and welfare of all cats.

The following is a description of the some of the programs currently being conducted by Alley Cat Rescue, Inc.

Adoption Program

ACR's adoption program finds loving, furrever homes for about 250 cats and kittens each year. We find homes for abandoned, stray, and relinquished cats; we also socialize feral kittens and work to find barn homes for feral cats. Prior to adoption, all cats receive a medical evaluation, including sterilization, vaccinations, testing, and are treated for parasites. All cats and kittens also undergo a temperament analysis prior to re-homing. If a cat or kitten is unable to be socialized, ACR will find a barn home. For friendly cats, ACR partners with a local store with a national affiliation to function as our adoption center. Our innovative adoption program has helped thousands of stray and abandoned cats find good homes.

Promote Spay/Neuter

ACR offers a low-cost spay/neuter clinic to low income residents of Maryland, Virginia, and Washington, DC.

Newsletters and Publications

ACR routinely published newsletters and other mailing to disseminate information about ACR and what they are doing in the community.

Education, Public Relations, and Prevention

For many years, Alley Cat Rescue has been engaged in promoting humane solutions to resolving the complex issues of cat overpopulation, especially those relating to feral cats. They are often classified as "non-native" species, despite that they have been living in a feral state in the United States for almost 500 years.

Our programs and campaigns to end the killing of healthy stray and feral cats in local shelters are diverse. They range from actual, hands-on trapping and sterilization of cats, to running low-cost spay clinics for companion cats, as well as promoting education and public relations to help cats. We are constantly working to put an end to the myths and

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 1 Organization (continued)

misinformation surroundings these innocent creatures. When cats are considered nothing more than "pests" and "nuisances," this current trend of scapegoating dangerously fosters and promotes cruelty to animals.

At ACR, we believe that ALL animals, whether "exotic," "alien," or "introduced," all deserve our respect and compassion, and if humane, non-lethal methods for controlling their populations are offered, then these should be the **preferred methods**--instead of out-dated, inhumane, lethal eradication techniques.

National Cat Action Teams

National Cat Action Teams, or CAT, assist groups and individuals to help domestic and feral cats. ACR provides a nationwide listing of groups and organizations, organized by state, for the benefit of interested parties who would like to help with feral cats in their area. The listing provides the name of the organization and a link to the website as well as telephone numbers and email addresses when available.

Note 2 Summary of Significant Accounting Policies

Revenue Recognition

Revenue from unrestricted contributions is recognized when received. Alley Cat Rescue, Inc. reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor 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. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

Alley Cat Rescue, Inc. reports gifts of land, buildings, equipment and securities as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, Alley Cat Rescue, Inc. reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 2 **Summary of Significant Accounting Policies (continued)**

Donated Material and Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. The organization recognizes contributed services meeting the criteria of FASB ASC 958-605-25-16, *Contributed Services*, (formerly SFAS 116, *Accounting for Contributions Made and Contributions Received*), as contributions and salary expense in the period rendered.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificate of deposits, and highly liquid instruments with original maturities of three months or less. Cash and cash equivalents does not include temporary cash held in custodial accounts.

Inventory

Inventories are stated at the lower of cost (first-in, first out) or market. Cost includes all direct costs to bring inventory to its present location.

Property, Plant, and Equipment

Property and equipment and website development are recorded at cost and depreciated over estimates useful lives of 3 to 5 years using the straight-line method. Leasehold improvements are amortized over 15 years.

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been either directly charged to the programs and supporting services as incurred or allocated based on usage.

Income Taxes

Alley Cat Rescue, Inc. is exempt from federal income taxes on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income determined to be from unrelated business income is taxable and to the extent it culminates in taxes due, a provision for income taxes will be provided.

At July 31, 2010, tax years 2006 through 2008 remain subject to examination by federal and state taxing jurisdictions. Alley Cat Rescue, Inc. has not been contacted by any tax authority regarding any tax issue.

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 2 Summary of Significant Accounting Policies (continued)

Estimates

The preparation of financial statements in conformity with accounting procedures generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 3 2010 Operating Expenses

Of the total operating expenses incurred for the year ended July 31, 2010, Alley Cat Rescue, Inc. incurred 81.95% for program activities, 13.84% for membership development, and 4.21% for management and general expenses.

Note 4 Contributions Receivable

Contributions receivable are reflected at their net realizable value and consist of unconditional promises expected to be collected within one year. To determine the net realizable value of contributions receivable, Alley Cat Rescue estimates the uncollectible amounts based on historical trends to collections with past federated and non-federated campaigns. Contributions receivable as of July 31, 2010 are \$484,918 and are broken down as follows:

Legacy and bequests receivables	\$ 234,080
Federated and non-federated campaigns	<u>250,838</u>
Total	<u>\$ 484,918</u>

Note 5 Officer's Loan

The President of Alley Cat Rescue has a demand loan outstanding as of July 31, 2010, in the amount of \$6,274. There is no stated interest rate on this loan.

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 6 **Prior Period Adjustment**

Alley Cat Rescue receives annual pledges from federated and non-federated campaigns annually. Prior to the fiscal year ended July 31, 2010, Alley Cat Rescue considered these pledges to be conditional promises to give and thus did not record them until the pledge was actually received. During the fiscal year ended July 31, 2010, the organization determined these pledges were unconditional promises to give and has recorded them in contributions receivable. The effect of this correction was to increase the beginning temporarily restricted net assets by the amount of the contribution receivable, \$436,345. This correction also decreased beginning unrestricted net assets by \$221,485.

Note 7 **Property Plant and Equipment**

Property, plant, and equipment at July 31, 2010 consist of the following:

Auto	\$ 1,000
Furniture and Fixtures	7,186
Website Development	7,966
Leasehold Improvements	<u>27,866</u>
Subtotal	44,018
Less: Accumulated Depreciation	<u>24,087</u>
Total	<u>\$ 19,931</u>

Depreciation expense for the year ended July 31, 2010 amounted to \$3,499.

Note 8 **Operating Lease**

ACR leases office space on a month to month basis in Brentwood, Maryland. Total rent expense for the year ended July 31, 2010 amounted to \$18,000. The space is leased from an officer of the organization.

Note 9 **Temporarily Restricted Net Assets**

For the year ended July 31, 2010, temporarily restricted net assets are available for general operations in the amount of \$484,918. Net assets were released from donor restrictions by the passage of time in the amount of \$320,055.

Alley Cat Rescue, Inc.
Notes to Financial Statements
For The Year Ended July 31, 2010

Note 10 Allocation of Joint Costs

During the fiscal year ended July 31, 2010, ACR conducted activities that included request for contributions, as well as program components. Those activities included mail campaigns for informational material, program activities and special program events. The cost of conducting those activities was \$573,999.

This joint cost was allocated as follows:

Program expense	\$ 393,545
Development expense	<u>180,454</u>
Total joint costs	<u>\$ 573,999</u>

Note 11 Subsequent Events

In accordance with FASB ASC 855-50-1, *Date Through Which Subsequent Events Have been Evaluated*, management has evaluated the accounts of the Organization from July 31, 2010 through June 28, 2011, the date the financial statements were available to be issued, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. From their review, management has determined there were no significant subsequent events that were not properly disclosed.

Alley Cat Rescue, Inc.
Statement of Functional Expenses
For the Year Ended July 31, 2010

	Program Services					Supporting Services			Total Expenses	
	Newsletters and Publications	Promote Spay and Neuter	Education and Public Relations	Adoption Program	National Cat Action Teams	Prevention	Total Program	Management and General		Development
Veterinary costs and supplies	\$ -	\$ 132,199	\$ -	\$ 173,183	\$ -	\$ 110,667	\$ 416,049	\$ -	\$ -	\$ 416,049
Printing	39,644	40,289	40,057	55,517	10,556	40,418	226,481	17,386	103,850	121,236
Postage and Delivery	29,243	29,719	29,548	40,952	7,787	29,814	167,063	11,743	76,604	88,347
Payroll	36,155	36,742	36,524	50,615	9,633	36,853	206,522	17,189	11,611	28,800
Insurance	5,667	5,759	5,725	7,934	1,510	5,777	32,372	2,694	1,820	4,514
Dues and Subscriptions	5,396	5,483	5,451	7,554	1,438	5,500	30,822	2,565	1,733	4,298
Miscellaneous Expense	4,134	4,201	4,176	5,788	1,102	4,214	23,615	1,966	1,328	3,294
Occupancy	4,604	4,679	4,651	6,446	1,227	4,693	26,300	2,189	1,479	3,668
Bank Charges	3,273	3,326	3,307	4,583	872	3,337	18,698	1,556	1,051	2,607
Office Supplies	2,588	2,630	2,614	3,622	689	2,638	14,781	1,230	831	2,061
Advertising	2,436	2,476	2,461	3,411	649	2,483	13,916	1,159	782	1,941
Repairs and Maintenance	1,405	1,428	1,419	1,966	374	1,432	8,024	668	451	1,119
Travel	1,073	1,091	1,084	1,502	286	1,094	6,130	510	345	855
Telephone	577	586	583	807	154	588	3,295	274	185	459
Depreciation	537	546	543	753	143	548	3,070	256	173	429
Donations	82	83	82	114	22	83	466	39	26	65
Total	\$ 136,814	\$ 271,237	\$ 138,225	\$ 364,747	\$ 36,442	\$ 250,139	\$ 1,197,604	\$ 61,424	\$ 202,269	\$ 263,693
Percent of total expenses	9.36%	18.56%	9.46%	24.96%	2.49%	17.12%	81.95%	4.21%	13.84%	18.05%
										100.00%

The accompanying notes are an integral part of the consolidated financial statements