

**HUMANE AMERICA ANIMAL FOUNDATION  
dba ADOPT-A-PET.COM**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2010 AND 2009**

**TOGETHER WITH INDEPENDENT AUDITORS' REPORT**



# J. Arthur Greenfield & Co. LLP

CERTIFIED PUBLIC ACCOUNTANTS  
FOUNDED 1920

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Humane America Animal Foundation  
dba Adopt-a-Pet.com  
Redondo Beach, California

We have audited the accompanying statements of financial position of the Humane America Animal Foundation (the Foundation) as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation'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 the Humane America Animal Foundation 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.

*J. Arthur Greenfield - Co. LLP*

Los Angeles, California  
December 27, 2011

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

**ASSETS**

	2010	2009
Current Assets:		
Cash	\$ 471,898	\$ 310,753
Accounts Receivable	-	15,349
Contributions Receivable	118,552	48,154
Prepaid Taxes	28,722	-
Total Current Assets	619,172	374,256
Property and Equipment, Net (Note 3)	8,283	9,827
Website Development, Net (Note 4)	695,850	603,373
<b>TOTAL ASSETS</b>	<b>\$ 1,323,305</b>	<b>\$ 987,456</b>

**LIABILITIES AND NET ASSETS**

Current Liabilities:		
Accounts Payable	\$ 5,339	\$ 3,443
Accrued Expenses	54,908	102,733
Taxes Payable	-	16,871
Total Current Liabilities	60,247	123,047
Total Liabilities	60,247	123,047
Net Assets:		
Unrestricted Net Assets	1,263,058	864,409
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,323,305</b>	<b>\$ 987,456</b>

See independent auditors' report and accompanying notes to financial statements.

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>Changes in Unrestricted Net Assets</b>		
Revenues:		
Contributions and Grants	\$ 1,468,694	\$ 896,545
Advertising Income	267,531	349,105
Interest Income	3,015	4,203
Total Unrestricted Revenues	1,739,240	1,249,853
Net Assets Released from Restrictions (Note 6)		
Satisfaction of Program Restrictions	-	49,805
Total Unrestricted Revenues	1,739,240	1,299,658
Expenses:		
Program Services	1,025,613	844,492
Fundraising	157,682	89,343
Management and General	157,296	215,470
Total Expenses	1,340,591	1,149,305
Increase in Unrestricted Net Assets	398,649	150,353
<b>Change in Temporarily Restricted Net Assets</b>		
Net Assets Released from Restrictions (Note 6)	-	(49,805)
Increase in Net Assets	398,649	100,548
Net Assets at the Beginning of the Year	864,409	763,861
Ending Net Assets	\$ 1,263,058	\$ 864,409

See independent auditors' report and accompanying notes to financial statements.

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010	2009
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 398,649	\$ 100,548
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	4,394	4,790
Amortization	374,615	259,948
Changes in Operating Assets and Liabilities:		
Accounts Receivable	15,349	(15,349)
Contributions Receivable	(70,398)	(4,321)
Prepaid Taxes	(28,722)	-
Accounts Payable	1,896	1,401
Accrued Expenses	(47,825)	85,996
Taxes Payable	(16,871)	(140,574)
Net Cash Provided by Operating Activities	631,087	292,439
<b>Cash Flows from Investing Activities</b>		
Purchases of Property and Equipment	(2,851)	(6,519)
Purchases of Other Assets	(467,091)	(485,592)
Net Cash Used by Investing Activities	(469,942)	(492,111)
Net Increase (Decrease) in Cash and Cash Equivalents	161,145	(199,672)
Cash and Cash Equivalents at the Beginning of Year	310,753	510,425
Cash and Cash Equivalents at the End of Year	\$ 471,898	\$ 310,753

The Foundation made income tax payments of \$62,000 in 2010 and \$257,700 in 2009.

There were no payments made for interest in 2010 and 2009.

See independent auditors' report and accompanying notes to financial statements.

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

1. Nature of Activities and Significant Accounting Policies

Nature of Activities

The Humane America Animal Foundation (the Foundation) is a nonprofit corporation established in 1999. The Foundation is dedicated to reducing the number of shelter animals put to death via adoption awareness programs, shelter pet database advertising, volunteerism, and spay/neuter education. The Foundation manages Adopt-a-Pet.com to help shelters, humane societies, societies for the prevention of cruelty to animals, pet rescue groups, and pet adoption agencies advertise their homeless pets to adopters for free.

The Foundation's sources of support include corporate sponsorships, grants from nonprofits, and donations from the general public. As part of their relationship with corporate sponsors, the Foundation allows them to place advertisements on Adopt-a-Pet.com. The income from these advertisements is taxable as unrelated business income.

Revenue Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

When a donor-imposed restriction is satisfied, the contribution or grant is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Advertising income is recorded in the period earned.

Functional Expenses

Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on estimated employee time incurred and resource usage. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Foundation.

Accounts Receivable

Accounts receivable consist primarily of advertising income. Accounts receivable are stated at the amount the Foundation expects to collect from the outstanding balances. As of the end of the year, the Foundation has determined that the balances are fully collectible and an allowance for doubtful accounts is not considered necessary.

See independent auditors' report.

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

Contributions Receivable

Contributions receivable represent contributions and grants that have been made by donors, but have not been received by the Foundation. As of the end of the year, contributions receivable are fully collectible and are expected to be collected during the next year and an allowance for uncollectible contributions is not considered necessary.

Property and Equipment

Office furniture and equipment are recorded at cost. The cost of property and equipment in excess of \$500 is capitalized. Depreciation is computed on a declining balance basis over the estimated useful lives of the respective assets as follows:

Computer and Office Equipment	5-7 years
Office Furniture and Fixtures	5-7 years

Website Development

Website development is recorded at cost. The cost of website development is for internal use software and is capitalized. Amortization is computed on a straight-line basis over the estimated useful live of the respective asset as follows:

Website Development	3 years
---------------------	---------

Income Taxes

The Foundation qualifies as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code and related California code sections and accordingly, is not subject to Federal or state income taxes. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a). However, income from certain activities not directly related to the Foundation's tax-exempt purpose is subject to taxation as unrelated business income.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of 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.

See independent auditors' report.



**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

2. Concentrations

The Foundation derives its income mainly in the form of corporate sponsorships, grants from nonprofits, and donations from the general public. In 2010, the Foundation derived approximately 57% of its revenues from one corporate sponsor and 37% from another corporate sponsor. In 2009, the Foundation derived approximately 67% of its revenues from one corporate sponsor.

Concentrations of credit risk exist for cash. Cash balances at banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of December 31, 2010 and 2009, the uninsured amounts are \$221,898 and \$60,753, respectively.

3. Property and Equipment

At December 31, 2010 and 2009, property and equipment consists of the following:

	2010	2009
Computer and Office Equipment	\$ 81,639	\$ 78,789
Office Furniture	1,470	1,470
Accumulated Depreciation	(74,826)	(70,432)
Total	\$ 8,283	\$ 9,827

Depreciation totaled \$4,394 for the year ended December 31, 2010 and \$4,790 for the year ended December 31, 2009.

4. Website Development

At December 31, 2010 and 2009, website development consists of the following:

	2010	2009
Website Development	\$ 1,764,446	\$ 1,297,354
Accumulated Amortization	(1,068,596)	(693,981)
Total	\$ 695,850	\$ 603,373

Amortization totaled \$374,615 for the year ended December 31, 2010 and \$259,948 for the year ended December 31, 2009.

See independent auditors' report.

**HUMANE AMERICA ANIMAL FOUNDATION**  
**dba ADOPT-A-PET.COM**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2010 AND 2009**

5. Income Taxes

Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The Foundation's advertising income is considered unrelated business income. Income taxes for such unrelated business income totaled \$16,407 in 2010 and \$117,126 in 2009.

The Foundation's tax returns are subject to examination by the IRS, generally for three years after they were filed. In addition, the Foundation's state tax returns for the same years are subject to examination by state tax authorities for similar time periods.

6. Temporarily Restricted Net Assets

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. There was no purpose restrictions accomplished in 2010 and \$49,805 was accomplished in 2009. There are no temporarily restricted net assets as of December 31, 2010 and 2009.

7. Subsequent Events

On January 1, 2011, the Foundation entered into a three year sponsorship agreement with a corporate sponsor that will pay them \$890,000 annually. During the three years, the Foundation will identify the corporate sponsor as their primary sponsor through their websites, telephone service, and other assets. The corporate sponsor will be the sole and exclusive sponsor of the Foundation in the categories of pet food, pet treats, litter products, pet accessories, and pet insurance. The Foundation may not enter into any sponsorship agreements with nor display any content on its websites or other assets for any company, entity, or organization that manufactures or markets pet products in any of these categories. Additionally, the Foundation shall not display any content on its websites or other assets for any pet food retailer without the prior written approval of the corporate sponsor.

On January 1, 2011, the Foundation entered into a single year sponsorship agreement with a corporate sponsor that will pay them \$650,000. The corporate sponsor will be listed as a main sponsor, second only to the corporate sponsor mentioned in the preceding paragraph. The corporate sponsor shall be the exclusive sponsor in the companion animal parasiticide, pet ID microchip, and equine categories. The sponsorship agreement was amended on June 1, 2011. The corporate sponsor will sponsor two additional activities and will pay the Foundation an additional \$100,000. The corporate sponsor will also reimburse the Foundation \$69,988 for expenses pertaining to advertising campaigns.

Subsequent events were evaluated by management through December 27, 2011, which is the date the financial statements were available to be issued.

See independent auditors' report.