

THE CHARLESTON ANIMAL SOCIETY

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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THE CHARLESTON ANIMAL SOCIETY  
NORTH CHARLESTON, SOUTH CAROLINA

INDEPENDENT AUDITOR'S REPORT

AND

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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# WILSON & QUIRK, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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American Institute of CPAs  
South Carolina Association of CPAs

April 24, 2012

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Charleston Animal Society  
North Charleston, South Carolina

We have audited the accompanying statement of financial position of The Charleston Animal Society as of December 31, 2011 and 2010 and the related statements of activity and changes in net assets, cash flows, and functional expenses for the years 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 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 Charleston Animal Society as of December 31, 2011 and 2010, and the changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Wilson & Quirk, LLC*

THE CHARLESTON ANIMAL SOCIETY  
STATEMENT OF FINANCIAL POSITION

Exhibit "A"

ASSETS

	As of December 31,	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents - unrestricted	\$ 973,110	\$ 1,067,814
Cash and cash equivalents – temporarily restricted	45,660	39
Accounts receivable	121,028	81,343
Unconditional promises to give	290,961	424,988
Accrued investment income	12,147	12,147
Investments - unrestricted	1,426,157	1,437,307
Supplies inventory	37,998	14,828
Prepaid bond expenses	89,372	112,073
Investments – temporarily restricted	84,918	113,257
Endowment investments:		
Cash and cash equivalents	40,577	30,727
Investments	1,314,326	1,406,166
Property and equipment (at cost less accumulated depreciation)	<u>8,766,541</u>	<u>8,932,651</u>
Total Assets	<u>\$ 13,202,795</u>	<u>\$ 13,633,340</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 86,175	\$ 76,048
Deferred grant revenue	109,497	19,218
Bonds payable	2,220,000	2,920,000
Note payable	15,096	00
Total liabilities	<u>2,430,768</u>	<u>3,015,266</u>

Net Assets

Unrestricted:		
Operating	2,464,140	2,630,246
Fixed assets	<u>6,531,445</u>	<u>6,012,651</u>

Total unrestricted	8,995,585	8,642,897
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Temporarily restricted	421,539	538,284
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Permanently restricted	<u>1,354,903</u>	<u>1,436,893</u>
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Total net assets	<u>10,772,027</u>	<u>10,618,074</u>
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Total Liabilities and Net Assets	<u>\$ 13,202,795</u>	<u>\$ 13,633,340</u>
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See Notes to Financial Statements.

THE CHARLESTON ANIMAL SOCIETY  
STATEMENT OF ACTIVITIES  
AND CHANGES IN NET ASSETS

Exhibit "B"

	For the Year Ended December 31,	
	2011	2010
<u>Unrestricted Net Assets</u>		
Revenue and other support:		
Contributions	\$ 975,348	\$ 436,443
Bequests	103,038	169,086
Special events	\$ 705,079	\$ 722,746
Less: Costs of direct benefits	<u>(562,703)</u>	<u>(529,919)</u>
Investment income (loss)	70,537	275,569
Miscellaneous	10,155	39
Spay/neuter receipts	357,944	419,222
Adoption receipts	403,623	422,152
Resales receipts	64,909	38,779
Shelter fees	897,320	886,152
Grants	221,536	59,157
Education outreach	69,697	37,390
Net assets released from restrictions	<u>251,416</u>	<u>176,418</u>
Total revenue and other support	<u>3,567,899</u>	<u>3,113,234</u>
Expenses:		
Program expense	<u>2,514,799</u>	<u>2,484,788</u>
Supporting services:		
General and administrative	408,415	264,961
Fund raising	<u>291,997</u>	<u>227,967</u>
Total supporting services	<u>700,412</u>	<u>492,928</u>
Total expenses	<u>3,215,211</u>	<u>2,977,716</u>
Increase in unrestricted net assets	<u>352,688</u>	<u>135,518</u>
<u>Temporarily Restricted Net Assets</u>		
Contributions	76,775	00
Bequests	86,235	00
Investment income	(28,339)	3,724
Net assets released from restrictions	<u>(251,416)</u>	<u>(176,418)</u>
Increase (decrease) in temporarily restricted net assets	<u>(116,745)</u>	<u>(172,694)</u>
<u>Permanently Restricted Net Assets</u>		
Investment income (loss)	<u>(81,990)</u>	<u>78,567</u>
Increase (decrease) in permanently restricted assets	(81,990)	<u>78,567</u>
Increase in Net Assets	153,953	41,391
Net Assets, Beginning of Year	<u>10,618,074</u>	<u>10,576,683</u>
Net Assets, End of Year	<u>\$ 10,772,027</u>	<u>\$ 10,618,074</u>

See Notes to Financial Statements

THE CHARLESTON ANIMAL SOCIETY  
STATEMENT OF CASH FLOWS

Exhibit "C"

	For the Year Ended December 31,	
	2011	2010
<u>Cash Flows from Operating Activities</u>		
Changes in net assets	\$ 153,953	\$ 41,391
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	310,712	309,334
Accounts receivable	(39,685)	40,516
Unconditional promises to give	134,024	208,236
Inventory	(23,170)	2,825
Accounts payable and accrued expenses	10,130	51,772
Deferred grant revenue	90,279	(6,076)
Unrealized (gains) losses on investments	125,318	(254,688)
Realized (gains) losses on investments	12,424	17,723
Net cash provided by operating activities	773,985	411,033
<u>Investing Activities</u>		
Purchases of property and equipment	(104,214)	(5,462)
Purchases of investments	(169,342)	(1,342,673)
Proceeds from redemptions of investments	162,932	1,300,207
Net cash used by investing activities	(110,624)	(47,928)
<u>Financing Activities</u>		
Payments on bonds payable	(700,000)	(690,000)
Payments on notes payable	(2,594)	00
Net cash provided (used) by financing activities	(702,594)	(690,000)
Increase (decrease) in cash	(39,233)	(326,895)
Cash, Beginning of Year	1,098,580	1,425,475
Cash, End of Year	\$ 1,059,347	\$ 1,098,580

Supplemental schedule of noncash investing and financing activities:

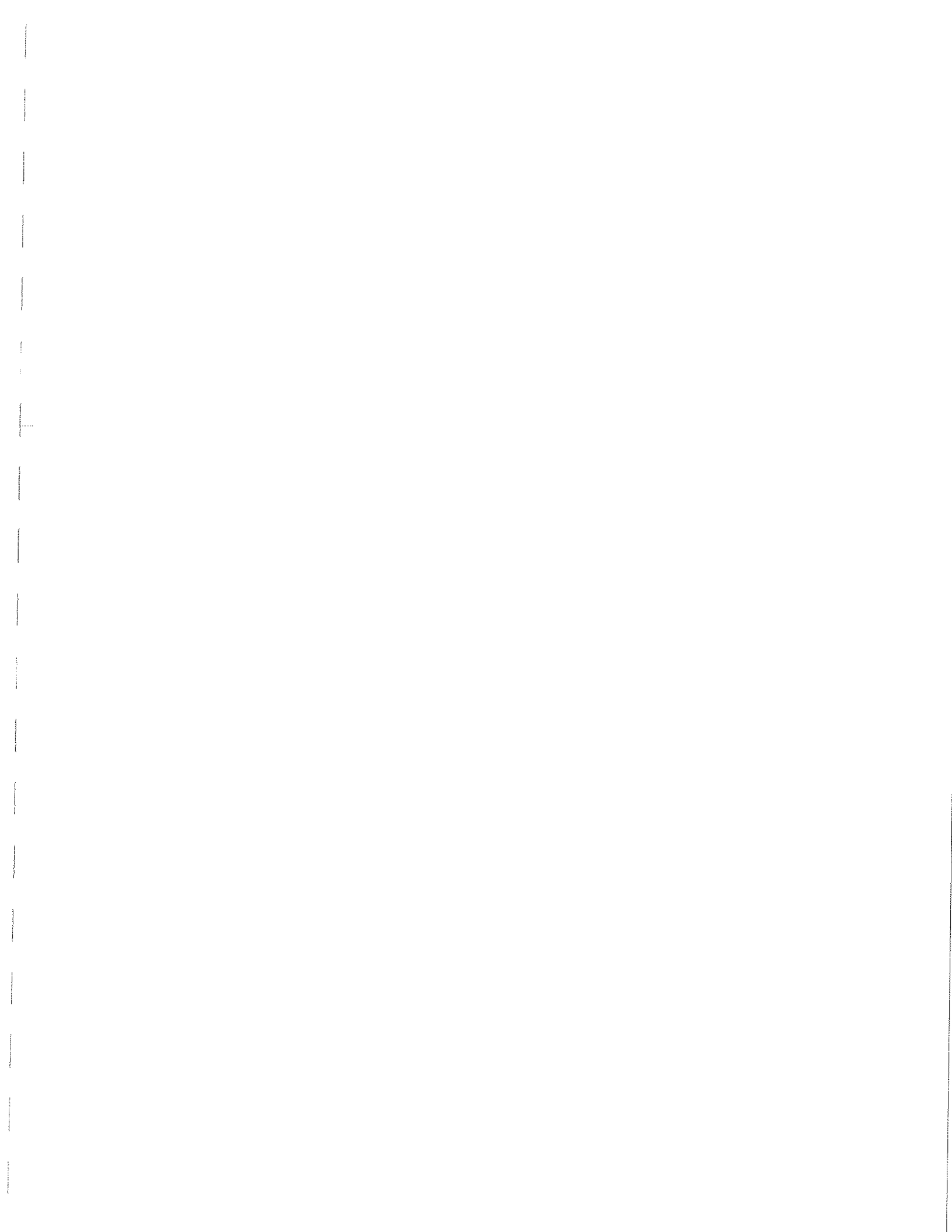
The Society financed \$17,690 of the purchase price of a new vehicle with notes payable in 2011.

Disclosure of accounting policy:

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

The Society paid interest of \$11,826 and \$13,862 for the years ended December 31, 2011 and 2010.

See Notes to Financial Statements.



31, 2011

For the Year Ended December 31, 2010

<u>Total</u>	<u>Program</u>	<u>Administrative</u>	<u>Fund Raising</u>	<u>Total</u>
\$ 1,459,907	\$ 1,261,097	\$ 93,640	\$ 109,556	\$ 1,464,293
124,270	107,574	6,886	10,514	124,974
112,204	87,250	6,653	9,653	103,556
10,079	9,727	00	512	10,239
10,638	7,229	00	00	7,229
166,695	161,895	00	00	161,895
320,552	189,809	00	00	189,809
17,976	11,576	2,894	00	14,470
198,610	190,067	10,004	00	200,071
21,642	18,419	4,094	2,045	24,558
55,516	31,427	1,654	00	33,081
57,867	50,233	2,791	2,790	55,814
4,000	401	1,419	1,745	3,565
95,350	00	00	69,487	69,487
16,132	5,952	1,964	1,412	9,328
39,976	21,335	5,689	1,423	28,447
61,999	00	64,102	00	64,102
81,867	5,913	33,842	18,830	58,585
310,712	293,867	15,467	00	309,334
35,160	28,156	00	00	28,156
2,234	2,861	00	00	2,861
<u>11,825</u>	<u>00</u>	<u>13,862</u>	<u>00</u>	<u>13,862</u>
<u>\$ 3,215,211</u>	<u>\$ 2,484,788</u>	<u>\$ 264,961</u>	<u>\$ 227,967</u>	<u>\$ 2,977,716</u>



THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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Note 1. Nature of Activities and Significant Accounting Policies

Nature of Activities - The Charleston Animal Society (formerly the John Ancrum Society for the Prevention of Cruelty to Animals) (Society) was established in 1874 as a humane society for animals. Currently, the Society operates the animal shelter in Charleston County and provides housing for impounded animals, adoptions, spay and neutering, and cruelty investigations. The Society also operates education, volunteer, and foster care programs. The Society is supported primarily through donor contributions, adoption receipts, shelter fees from Charleston County, fund raising activities, and investment income. In June 1997, the Society opened a spay and neutering clinic at a separate location. In October 2000, the Society opened an adoption center in Mt. Pleasant, South Carolina. In March 2008, the Society consolidated the spay and neutering clinic and all other operations to its new shelter in North Charleston, South Carolina.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions of property and equipment are recorded as support at their estimated fair value. All such donations have been given without restrictions by the donors.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Promises to give are stated net of an allowance for uncollectible of \$ 9,000 and \$ 15,000 for the years ended December 31, 2011 and 2010, respectively. The allowance is based on a review of the aging and management's analysis of specific promises made.

Property and Equipment - Property and equipment purchased are capitalized at cost. Donated property and equipment is recorded at its fair value at the time of the contribution. It is the Society's policy to capitalize these items in excess of \$300.00. Lesser amounts are expensed.

Depreciation and Amortization Policies - The provision for depreciation of equipment is provided on the straight-line method over the estimated useful lives of the assets. Issuance costs of the Society's bonds payable are deferred and amortized over the estimated term of the issue.

Income Taxes - The Society was founded as an organization exempt from Federal and South Carolina income taxes under Internal Revenue Code Section 501 (c) (3) and, accordingly, a provision for income taxes has not been made.

Contributed Services - During the years ended December 31, 2011 and 2010, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

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Note 1. Nature of Activities and Significant Accounting Policies (Continued)

Inventory - Supplies inventory consists primarily of medicines and other clinical items and is valued at cost.

Estimates - The preparation of financial statements in conformity 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.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the statement of activities. During 1998 and 2002, the Society transferred \$250,000 to the Coastal Community Foundation, Inc. to be invested in perpetuity with the investment income distributed annually. The Foundation has ownership of the fund as well as variance power. The Society recognizes its interest in the net assets at fair value since it is both the donor and recipient not-for-profit organization.

Subsequent Events – Management has evaluated subsequent events through April 24, 2012, the date of the financial statements.

Note 2. Restrictions on Fund Balance

Permanently restricted fund balance consists of assets bequested to and held in trust into perpetuity and the funds transferred by the Society to the Coastal Community Foundation, Inc. Temporarily restricted net assets are available for the following purposes or periods:

<u>Restriction</u>	<u>2011</u>	<u>2010</u>
Program	\$ 67,896	\$ 22,970
Subsequent periods	<u>353,643</u>	<u>515,314</u>
	<u>\$ 421,539</u>	<u>\$ 538,284</u>

THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

Note 3. Promises to Give

Unconditional promises to give consist of the following:

	<u>2011</u>	<u>2010</u>
Combine Federal Campaign	\$ 45,476	\$ 50,400
Construction of new shelter	212,485	391,388
Bequest	<u>44,000</u>	<u>00</u>
	301,961	441,788
Less: Allowance for uncollectible	(9,000)	(15,000)
Less: Unamortized discount	<u>(2,000)</u>	<u>(1,800)</u>
 Net unconditional promises to give	 <u>\$ 290,961</u>	 <u>\$ 424,988</u>
Amounts due in:		
Less than one year	\$ 248,111	\$ 368,395
One to five years	<u>42,850</u>	<u>56,593</u>
	 <u>\$ 290,961</u>	 <u>\$ 424,988</u>

Unconditional promises to give due in more than one year are reflected at the present value of estimated future cash flows using a discounted rate of 3%.

Note 4. Cash and Cash Equivalents

Unrestricted cash and cash equivalents consist of the following:

	<u>2011</u>	<u>2010</u>
Petty cash	\$ 375	\$ 325
Cash in checking accounts	282,317	335,953
Cash-bonds payable accounts	94,045	91,868
Cash - Schwab - Mary Jenkins Account	3,286	3,928
Cash - Schwab - CAS Account	67,966	58,336
Cash - Wachovia - Bingo	22,403	6,568
Cash – Brokerage Capital Campaign	<u>502,718</u>	<u>570,836</u>
 Total Unrestricted Cash and Cash Equivalents	 <u>\$ 973,110</u>	 <u>\$ 1,067,814</u>

Cash in checking accounts consists of \$ 94,045 required by the South Carolina Jobs – Economic Development Authority Revenue Bonds (John Ancrum SPCA Project) Series 2007 to be held in separate bank accounts and used toward debt retirement or construction of the new shelter.

Note 5. Accounts Receivable

Accounts receivable are recorded when incurred and stated net of an allowance for doubtful accounts of \$-0-.

THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

Note 6. Investments

Investments are reported in the financial statements at fair value and consist of:

<u>Unrestricted</u>	<u>December 31, 2011</u>		<u>December 31, 2010</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
<u>Corporate Bonds 4.0%-7.5%</u>				
Maturity 1-5 years	\$ 32,700	\$ 32,792	\$ 8,207	\$ 8,258
Maturity 5-10 years	00	00	10,511	10,527
Fixed income funds	901,905	918,748	893,905	894,876
Equity funds	<u>436,661</u>	<u>474,617</u>	<u>430,706</u>	<u>523,646</u>
<b>Total Unrestricted Investments</b>	<b><u>\$ 1,371,266</u></b>	<b><u>\$ 1,426,157</u></b>	<b><u>\$ 1,343,329</u></b>	<b><u>\$ 1,437,307</u></b>
<u>Temporarily Restricted</u>				
Fixed income funds	\$ 6,274	\$ 6,587	\$ 8,345	\$ 8,595
Equity funds	15,204	15,649	12,412	14,336
Coastal Community Foundation	<u>00</u>	<u>62,682</u>	<u>00</u>	<u>90,326</u>
<b>Total Temporarily Restricted Investments</b>	<b><u>\$ 21,478</u></b>	<b><u>\$ 84,918</u></b>	<b><u>\$ 20,757</u></b>	<b><u>\$ 113,257</u></b>
<u>Permanent Endowment</u>				
<u>Wachovia - Elroy Smith Trust</u>				
Money market	\$ 10,133	\$ 10,133	\$ 6,825	\$ 6,825
Equity funds	136,204	148,557	162,159	170,556
Fixed income fund (2.44% - 7.66%)	<u>54,370</u>	<u>56,670</u>	<u>56,754</u>	<u>58,592</u>
Subtotal	<u>200,707</u>	<u>215,360</u>	<u>225,738</u>	<u>235,973</u>
<u>Wachovia - Carsten E. Jantzen Charitable Trust</u>				
Money market	30,444	30,444	23,902	23,902
Equity funds	415,574	442,807	422,712	503,054
Fixed income fund (2.44% - 7.66%)	<u>159,875</u>	<u>166,292</u>	<u>169,124</u>	<u>173,964</u>
Subtotal	<u>605,893</u>	<u>639,543</u>	<u>615,738</u>	<u>700,920</u>
<u>Coastal Community Foundation, Inc.</u>	<u>488,345</u>	<u>500,000</u>	<u>505,629</u>	<u>500,000</u>
<b>Total Endowment Investments</b>	<b><u>\$ 1,294,945</u></b>	<b><u>\$ 1,354,903</u></b>	<b><u>\$ 1,347,105</u></b>	<b><u>\$ 1,436,893</u></b>

THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

Note 6. Investments (Continued)

The following schedule summarizes the investment return and its classification in the statement of activities:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2011</u>				
Investment income	\$ 126,841	\$ 855	\$ 00	\$ 127,696
Realized gains (losses)	326	(295)	(12,455)	(12,424)
Unrealized gains (losses)	(39,596)	(28,714)	(57,008)	(125,318)
Fees	<u>(17,034)</u>	<u>(185)</u>	<u>(12,527)</u>	<u>(29,746)</u>
 Totals	 <u>\$ 70,537</u>	 <u>\$ (28,339)</u>	 <u>\$ (81,990)</u>	 <u>\$ (39,792)</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>December 31, 2010</u>				
Investment income	\$ 146,987	\$ 928	\$ 00	\$ 147,915
Realized gains (losses)	(18,206)	483	00	(17,723)
Unrealized gains (losses)	156,755	2,411	95,522	254,688
Fees	<u>(9,967)</u>	<u>(98)</u>	<u>(16,955)</u>	<u>(27,020)</u>
 Totals	 <u>\$ 275,569</u>	 <u>\$ 3,724</u>	 <u>\$ 78,567</u>	 <u>\$ 357,860</u>

The Society is also a recipient not-for-profit organization in the Judith Baird fund at the Community Foundation, Inc. and receives one-half of the distributable investment income. The Society is also a recipient not-for-profit organization in The Gilbreth Fund and receives the distributable investment income. The Foundation has ownership and variance power of these funds. Since the Society did not donate the assets to these funds, it does not recognize its interest in the net assets, which had a fair value of \$1,140,950 at December 31, 2011 and distributed \$29,572 in investment income in 2011.

Note 7. Property and Equipment

Fixed assets consist of the following:

		<u>December 31, 2011</u>		
	<u>Range of Esti- mated Useful Lives (Years)</u>	<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	N/A	\$ 400,000	\$ 00	\$ 400,000
Equipment	5 - 10	597,867	320,687	277,180
Shelter	10 - 50	<u>8,928,537</u>	<u>839,176</u>	<u>8,089,361</u>
 Totals		 <u>\$ 9,926,404</u>	 <u>\$ 1,159,863</u>	 <u>\$ 8,766,541</u>

THE CHARLESTON ANIMAL SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

Note 7. Property and Equipment (Continued)

	Range of Estimated Useful Lives (Years)	<u>December 31, 2010</u>		
		<u>Basis</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Land	N/A	\$ 400,000	\$ 00	\$ 400,000
Equipment	5 - 10	476,791	256,943	219,848
Shelter	10 - 50	<u>8,927,709</u>	<u>614,906</u>	<u>8,312,803</u>
Totals		<u>\$ 9,804,500</u>	<u>\$ 871,849</u>	<u>\$ 8,932,651</u>

Note 8. Bonds Payable

As of December 31,  
2011      2010

Issued by the South Carolina Jobs – Economic Development Authority – John Ancrum SPCA Project Series 2007 supported by a letter of credit issued by Bank of America and collateralized by a mortgage on the new shelter. The letter of credit is subject to annual renewal and has been renewed to August 1, 2011. The bonds pay interest at a weekly rate (.17% - .58%). The Society and bank intend to renew the letter of credit until the bonds are paid off; however, if the letter of credit is not renewed, the bonds convert to fixed rate. As of the date of the report, the Society and the bank are planning to convert the bonds to a note payable partially amortizing over nine years with a three year maturity at a variable interest rate based on the one month LIBOR plus 2.07%.

\$ 2,220,000      \$ 2,920,000

Debt service to maturity (assuming an average variable rate of 2.32% on the bonds payable):

<u>Year Ended December 31, 2011</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2012	\$ 256,123	\$ 30,334	\$ 286,457
2013	218,335	43,266	261,601
2014	228,333	38,094	266,427
2015	<u>1,517,209</u>	<u>25,036</u>	<u>1,542,245</u>
Total	<u>\$ 2,220,000</u>	<u>\$ 136,730</u>	<u>\$ 2,356,730</u>

THE CHARLESTON ANIMAL SOCIETY  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2011 AND 2010

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Note 9. Notes Payable

Note with Ally Bank, monthly payments of \$424.43, including interest at 6.89% per annum secured by 2010 Chevy Express cargo van and matures 2015

\$ 4,183                      \$ 10,913                      \$ 15,096

\$ 4,183                      \$ 10,913                      \$ 15,096

Schedule of Maturities

For the year ended December 31:

2012	\$ 4,183
2013	4,481
2014	4,800
2015	<u>1,632</u>

\$ 15,096

Note 10. Concentration of Credit Risk

The Society maintains its cash balances at four financial institutions and four brokerage firms. At December 31, 2011, cash balances of \$ 566,166 are Federally insured, while the remaining balance of \$493,181 is uninsured.

Note 11. Retirement Plan

The Society has a "Savings Incentive Match Plan for Employees" (SIMPLE) IRA plan. Contributions to the plan totaled \$ 8,667 and \$ 4,800 for the years ended December 31, 2011 and 2010, respectively.

Note 12. Prior Period Adjustment

The financial statements for the year ended December 31, 2010 have been restated. During 2011, the Society discovered that cash in the amount of \$70,858 had been wrongfully misappropriated starting in September 2007. The funds were repaid to the Society in March 2012 and is includable in accounts receivable at December 31, 2011. The effect on the financial statements is as follows:

Increase in unrestricted revenue – 2010	\$ 19,390
Increase in accounts receivable, December 31, 2010	38,049
Increase in beginning net assets, January, 1:	
2011	38,049
2010	18,659