

**HELEN WOODWARD ANIMAL CENTER
FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

HELEN WOODWARD ANIMAL CENTER

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To The Board of Directors
Helen Woodward Animal Center

Independent Auditor's Report

We have audited the accompanying statements of financial position of Helen Woodward Animal Center, A Nonprofit Organization, as of December 31, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows 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 audits.

We conducted our audits 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 misstatements. 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 audits 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 Helen Woodward Animal Center, A Nonprofit Organization, as of December 31, 2010 and 2009, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE
An Accountancy Corporation

September 30, 2011

**HELEN WOODWARD ANIMAL CENTER
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010 AND 2009**

	2010	2009
ASSETS		
ASSETS		
Cash and Cash Equivalents	\$ 1,110,720	\$ 4,669,509
Certificates of Deposit	-	110,146
Accounts Receivable	47,406	80,600
Inventory	15,120	12,703
Prepaid Expenses	248,272	37,692
Note Receivable from Related Party (Note 3)	374,947	388,570
Unconditional Promises to Give (Note 4)	2,611,681	3,315,532
Investments (Note 5)	4,313,566	4,244,240
Charitable Remainder Trusts (Note 6)	2,936,898	2,920,388
Life Insurance Premium and Annuity Account (Note 7)	916,700	904,563
Property and Equipment (Note 9)	11,351,877	5,746,533
Investment in San Diego Foundation (Note 10)	13,523	12,425
Investment in Rancho Santa Fe Foundation (Note 11)	14,802	13,211
	23,955,512	22,456,112
TOTAL ASSETS	23,955,512	22,456,112
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	329,449	422,180
Accrued Payroll	139,647	113,528
Accrued Compensated Absences	147,304	139,393
Deferred Compensation (Note 12)	86,401	110,045
Line of Credit (Note 13)	1,990,000	-
Note Payable (Note 14)	24,873	-
Security Deposits	4,770	4,770
	2,722,444	789,916
TOTAL LIABILITIES	2,722,444	789,916
NET ASSETS (Note 16)		
Unrestricted	11,369,141	7,487,274
Unrestricted - Board Designated (Note 17)	2,379,002	2,440,138
Temporarily Restricted	5,849,973	10,103,832
Permanently Restricted (Note 17)	1,634,952	1,634,952
	21,233,068	21,666,196
TOTAL LIABILITIES AND NET ASSETS	\$ 23,955,512	\$ 22,456,112

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Contributions	\$ 588,656	\$ 1,277,522	\$ -	\$ 1,866,178
Fees	2,229,720	-	-	2,229,720
Net Realized and Unrealized Gain on Investments	404,370	-	-	404,370
Special Events (Net Expenses of \$443,726)	457,226	-	-	457,226
Net Interest and Dividend Income	278,880	-	-	278,880
Sales	185,902	-	-	185,902
Other Income	117,438	-	-	117,438
Rents	72,521	-	-	72,521
Contributed Goods	83,590	-	-	83,590
Change in the Value of Split-Interest Agreements	16,509	-	-	16,509
Impairment of Pledge Receivable	(25,000)	-	-	(25,000)
	<u>4,409,812</u>	<u>1,277,522</u>	<u>-</u>	<u>5,687,334</u>
NET ASSETS RELEASED FROM RESTRICTION	5,531,381	(5,531,381)	-	-
EXPENSES:				
Program	4,476,856	-	-	4,476,856
Management and General	447,274	-	-	447,274
Fundraising	1,097,652	-	-	1,097,652
	<u>6,021,782</u>	<u>-</u>	<u>-</u>	<u>6,021,782</u>
COST OF SALES	98,680	-	-	98,680
TOTAL EXPENSES	<u>6,120,462</u>	<u>-</u>	<u>-</u>	<u>6,120,462</u>
CHANGE IN NET ASSETS	3,820,731	(4,253,859)	-	(433,128)
NET ASSETS - BEGINNING OF YEAR	<u>9,927,412</u>	<u>10,103,832</u>	<u>1,634,952</u>	<u>21,666,196</u>
NET ASSETS - END OF YEAR	<u>\$ 13,748,143</u>	<u>\$ 5,849,973</u>	<u>\$ 1,634,952</u>	<u>\$ 21,233,068</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

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	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUE				
Contributions	\$ 3,044,842	\$ 2,564,685	\$ -	\$ 5,609,527
Fees	2,297,412	-	-	2,297,412
Net Realized and Unrealized Gain on Investments	810,677	-	-	810,677
Special Events (Net Expenses of \$323,882)	330,163	-	-	330,163
Net Interest and Dividend Income	218,371	-	-	218,371
Sales	185,605	-	-	185,605
Other Income	85,657	-	-	85,657
Rents	65,988	-	-	65,988
Contributed Goods	48,485	-	-	48,485
Change in the Value of Split-Interest Agreements	(45,468)	-	-	(45,468)
Impairment of Pledge Receivable	(2,240,000)	-	-	(2,240,000)
	<u>4,801,732</u>	<u>2,564,685</u>	<u>-</u>	<u>7,366,417</u>
NET ASSETS RELEASED FROM RESTRICTION	4,491,863	(4,491,863)	-	-
EXPENSES:				
Program	4,606,682	-	-	4,606,682
Management and General	414,345	-	-	414,345
Fundraising	1,262,179	-	-	1,262,179
	<u>6,283,206</u>	<u>-</u>	<u>-</u>	<u>6,283,206</u>
COST OF SALES	99,314	-	-	99,314
TOTAL EXPENSES	<u>6,382,520</u>	<u>-</u>	<u>-</u>	<u>6,382,520</u>
CHANGE IN NET ASSETS	2,911,075	(1,927,178)	-	983,897
NET ASSETS - BEGINNING OF YEAR	<u>7,016,337</u>	<u>12,031,010</u>	<u>1,634,952</u>	<u>20,682,299</u>
NET ASSETS - END OF YEAR	<u>\$ 9,927,412</u>	<u>\$ 10,103,832</u>	<u>\$ 1,634,952</u>	<u>\$ 21,666,196</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services							Supporting Services				Total	
	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Management and General	Fundraising	Total Supporting Services		Special Events
EXPENSES													
Salaries, Wages and Related Benefits	\$ 486,344	\$ 1,023,598	\$ 576,987	\$ 538,340	\$ 287,682	\$ 162,255	\$ 36,757	\$ 3,111,963	\$ 311,311	\$ 708,304	\$ 1,019,615	\$ -	\$ 4,131,578
Operating Supplies and Expenses	207,255	200,378	220,789	70,006	117,499	14,458	11,508	841,893	71,676	37,572	109,248	13,893	965,034
Printing, Advertising and Postage	1,066	9,999	2,028	15,923	354	307	883	30,560	28	90,340	90,368	126,251	247,179
Outside Services	2,856	55,023	10,167	4,833	10,321	181	93	83,474	29	50,170	50,199	107,197	240,870
Other	24,685	16,443	19,371	8,729	1,381	284	118	71,011	40,192	82,383	122,575	21,564	215,150
Maintenance, Repairs and Equipment Rental	6,852	6,339	3,060	7,177	1,084	753	1,265	26,530	5,301	2,056	7,357	35,631	69,518
Donated Goods and Services	1,311	8,236	280	3,184	3,421	1,138	17,543	35,113	41	39,996	40,037	138,225	213,375
Office Expenses	802	3,805	2,283	2,767	324	123	58	10,162	3,769	4,423	8,192	965	19,319
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	79,800	79,800	-	79,800
Katrina Expenses	-	2,717	-	-	-	-	-	2,717	-	-	-	-	2,717
Total Expenses Before Depreciation	731,171	1,326,538	834,965	650,959	422,066	179,499	68,225	4,213,423	432,347	1,095,044	1,527,391	443,726	6,184,540
Depreciation	106,574	9,704	120,730	6,192	11,795	8,353	85	263,433	14,927	2,608	17,535	-	280,968
TOTAL FUNCTIONAL EXPENSES	<u>\$ 837,745</u>	<u>\$ 1,336,242</u>	<u>\$ 955,695</u>	<u>\$ 657,151</u>	<u>\$ 433,861</u>	<u>\$ 187,852</u>	<u>\$ 68,310</u>	<u>\$ 4,476,856</u>	<u>\$ 447,274</u>	<u>\$ 1,097,652</u>	<u>\$ 1,544,926</u>	<u>\$ 443,726</u>	<u>\$ 6,465,508</u>

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Services							Supporting Services				Total	
	Equine Hospital	Adoptions	Boarding	Education	Therapeutic Riding	Pet Encounter Therapy	AniMeals	Total Program Services	Management and General	Fundraising	Total Supporting Services		Special Events
EXPENSES													
Salaries, Wages and Related Benefits	\$ 517,005	\$ 1,025,049	\$ 617,486	\$ 489,731	\$ 274,579	\$ 187,860	\$ 38,725	\$ 3,150,435	\$ 260,236	\$ 713,499	\$ 973,735	\$ -	\$ 4,124,170
Operating Supplies and Expenses	231,660	230,411	238,523	71,235	46,252	20,145	12,493	850,719	87,417	36,862	124,279	15,831	990,829
Printing, Advertising and Postage	3,175	12,968	1,969	15,498	2,201	2,133	2,676	40,620	1,985	142,989	144,974	115,099	300,693
Outside Services	4,440	48,216	4,352	3,426	78,015	937	103	139,489	103	110,425	110,528	62,063	312,080
Other	26,895	14,564	19,231	10,679	1,514	46	199	73,128	41,727	148,852	190,579	31,087	294,794
Maintenance, Repairs and Equipment Rental	10,454	5,609	4,274	5,269	506	1,872	717	28,701	5,301	1,997	7,298	26,774	62,773
Donated Goods and Services	550	10,584	700	5,212	2,785	3,455	18,995	42,281	186	800	986	72,045	115,312
Office Expenses	547	3,730	2,116	2,159	299	246	39	9,136	4,727	4,483	9,210	983	19,329
Capital Campaign Expenses	-	-	-	-	-	-	-	-	-	99,699	99,699	-	99,699
Katrina Expenses	-	3,137	-	-	-	-	-	3,137	-	-	-	-	3,137
Total Expenses Before Depreciation	794,726	1,354,268	888,651	603,209	406,151	216,694	73,947	4,337,646	401,682	1,259,606	1,661,288	323,882	6,322,816
Depreciation	109,273	11,427	121,242	6,279	12,125	8,559	131	269,036	12,663	2,573	15,236	-	284,272
TOTAL FUNCTIONAL EXPENSES	\$ 903,999	\$ 1,365,695	\$ 1,009,893	\$ 609,488	\$ 418,276	\$ 225,253	\$ 74,078	\$ 4,606,682	\$ 414,345	\$ 1,262,179	\$ 1,676,524	\$ 323,882	\$ 6,607,088

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

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	2010	2009
CASH FLOWS (USED)/PROVIDED BY OPERATING ACTIVITIES		
Change in Net Assets	\$ (433,128)	\$ 983,897
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES		
Depreciation	280,968	284,272
Impairment of Pledge Receivable	25,000	2,240,000
Net Realized and Unrealized (Gain)/Loss on Investments	(404,370)	(810,677)
Donations of Investments Included in Contributions	(28,664)	(548,674)
Change in the Value of Split-Interest Agreements	(16,509)	45,468
Change in Operating Assets and Liabilities:		
Accounts Receivable	33,194	(7,837)
Inventory	(2,417)	(725)
Prepaid Expenses, Deposits, and Other Assets	(213,269)	(5,315)
Unconditional Promises to Give	678,851	(942,662)
Accounts Payable and Accrued Expenses	(92,731)	54,193
Accrued Payroll	26,119	15,006
Accrued Compensated Absences	7,910	18,527
Deferred Compensation and Benefits	(23,644)	(27,544)
	270,438	314,032
NET CASH (USED)/PROVIDED BY OPERATING ACTIVITIES	(162,690)	1,297,929
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of Property and Equipment	(5,886,312)	(1,687,159)
Decrease in Certificates of Deposit	110,146	110,279
Increase in Life Insurance Premium Account	(12,137)	(11,783)
Proceeds from Sale of Investments	1,581,547	1,133,580
Purchase of Investments	(1,217,839)	(642,867)
Principal Payments on Note Receivable from Related Party	13,623	10,611
	(5,410,972)	(1,087,339)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Net Borrowings on Line of Credit	1,990,000	-
Principal Borrowings on Note Payable	27,552	-
Principal Payments on Note Payable	(2,679)	-
	2,014,873	-
NET (DECREASE)/INCREASE IN CASH	(3,558,789)	210,590
CASH, BEGINNING OF YEAR	4,669,509	4,458,919
CASH, END OF YEAR	\$ 1,110,720	\$ 4,669,509

See Accompanying Notes

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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NOTE 1 THE ORGANIZATION

Helen Woodward Animal Center (the "Center") is a Nonprofit Corporation formed in California in June 1972. The Center was renamed in 1987 for Helen Woodward, the Center's founder and benefactor. The Center serves primarily San Diego County, California.

The Center conducts a variety of programs which benefit the community. The Center's pet placement service finds new homes for cats and dogs surrendered by their owners or rescued from organizations and cares for these animals prior to adoption. The Therapeutic Riding program benefits disabled children and adults, both physically and emotionally. The Pet Encounter Therapy program brings the joy of animals to persons confined in such facilities as homes for abused or homeless children, hospitals, and senior centers, and provides the same experience for groups that choose to visit the Center.

The Center also provides humane educational programs for children and adults on a variety of topics, including proper animal care and animal behavior, in hopes that participants gain greater respect and appreciation for all living things. The Center's auxiliary services include AniMeals pet food supplements for the pets of homebound adults and tours for children and seniors.

The Center maintains a community equine hospital and animal boarding facilities. The hospital serves as a surgical and diagnostic facility for horses and other large exotic animals. The Center grants hospital privileges to large animal veterinarians in the County. The Center's pet boarding facility provides care and individual attention for small animals, primarily cats and dogs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles.

Basis of Presentation - The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. New standards were issued regarding classification of endowment funds of nonprofits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and enhanced disclosures for endowment. The State California adopted UPMIFA in October 2008. The Center adopted the new standards effective January 1, 2009. The adoption had no effect on the classification of net assets for the years ended December 31, 2010, or 2009.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Actual results could differ from estimates.

Cash and Cash Equivalents - The Center considers all investment instruments purchased with a maturity of three months or less to be cash equivalents. The Center maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Center has not experienced any losses in such accounts. The Center believes it is not exposed to any significant credit risk on cash and cash equivalents. At December 31, 2010 and 2009, the Center had \$301,396 and \$3,867,912, respectively, of cash that was temporarily restricted by donors for specific uses by the Center (see Note 16).

Certificates of Deposit - The Center held certificates of deposit at multiple financial institutions totaling \$110,146 as of December 31, 2009. The certificates bore interest ranging from 1.10% to 3.93% and had maturities ranging from six to seven months, with penalties for early withdrawal. Any penalties for early withdrawal would not have a material effect on the financial statements. Management has elected not to record accrued interest on the certificates of deposits due to its immateriality.

Accounts Receivable - Accounts receivable totaling \$69,004 and \$104,339 net of an allowance for uncollectible accounts of \$21,598 and \$23,739 for the years ended December 31, 2010 and 2009, respectively, consist primarily of accounts receivable related to services performed at the equine hospital. Bad debts are accounted for using the specific identification method and are written-off after all collection attempts have been exhausted. Accordingly, bad debt expense is charged to operations in the year in which an account is determined uncollectible.

Inventory - Inventory consists of merchandise held for the purpose of resale and is stated at the lower of cost or market. Cost is determined by the specific identification method.

Contributions - Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Contributions that are restricted by the donor 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 use unless specifically restricted by the donor or subject to other legal restrictions.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The Center reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Fair Value Measurement - The Center has adopted accounting standards consistent with the FASB codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Property and Equipment - Land, building and equipment are recorded at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restriction regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method over the estimated useful asset lives as follows:

Land Improvements	7 - 25 years
Building and Improvements	3 - 25 years
Equipment	3 - 18 years
Furniture and Fixtures	3 - 20 years
Vehicles	5 years

The Center is currently raising funds for a capital campaign to renovate the Center. The Center has capitalized the costs related to the construction and will not begin depreciating the assets until they are placed in service. The amount of the construction in progress costs totaled \$10,116,459 and \$4,388,059 as of December 31, 2010 and 2009, respectively.

Maintenance, repairs and minor renewals are charged to operations as incurred. Upon sale or disposition of land, buildings and equipment, the asset account is relieved of the cost and the accumulated depreciation account is charged with depreciation taken prior to the sale and any resultant gain or loss is credited or charged to earnings.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unrestricted Net Assets - It is policy of the Board of Directors of the Center to review its plans for future operating funds, equipment acquisitions and other reserves from time to time and to designate appropriate sums to assure adequate financing of such items. At December 31, 2010 and 2009, unrestricted net assets totaling \$2,379,002 and \$2,440,138, respectively, have been designated by the Board of Directors as an endowment to provide for the continuing operation of the Center.

Contributed Services, Materials, Equipment, and Food - The Center has received substantial donations of materials, equipment, food, and professional services. The donations of materials, food and other assets are recorded at their fair market value. The value of the donations received not relating to special events totaled \$83,590 and \$48,485 for the years ended December 31, 2010 and 2009, respectively.

The nature and extent of donated and contributed services received by the Center ranges from the limited participation of many individuals in fundraising activities to active participation in the Center's management and service programs during 2010 and 2009. The value of contributed time is not reflected in these statements since they do not require specialized skills.

Functional Allocation of Expenses - The Center allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure classification. Costs that are common to several functions are allocated among the program and supporting services on the basis of time records, space utilized, and estimates made by the Center's management.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Center achieves some of its programmatic, management, and general goals in direct mail campaigns that consist of a newsletter that includes a request for contributions. The costs of conducting these campaigns include a total of \$21,216 and \$41,995 of joint costs for the years ended December 31, 2010 and 2009, respectively, not directly attributable to either program or management and general components or the fundraising component of the activities. These joint cost were allocated as follows:

	2010	2009
Equine Hospital	\$ 189	\$ 2,062
Adoptions	7,292	9,843
Boarding	189	2,062
Education	189	2,062
Therapeutic Riding	189	2,062
Pet Encounter Therapy	189	2,062
AniMeals	189	2,062
Management and General	189	2,062
Fundraising	12,601	17,718
	\$ 21,216	\$ 41,995

Income Taxes - The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code.

The Center adopted accounting standards which clarify the accounting for uncertainty in income taxes recognized in the Center's financial statements and prescribes a recognition threshold and measurement of a tax position taken or expected to be taken in a tax return. The standards also provide guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return. As of December 31, 2010 and 2009, the Center has not accrued interest or penalties related to uncertain tax positions. The Center files tax returns in the U.S. Federal jurisdiction and the State of California. The Center is no longer subject to U.S. and California examination by tax authorities for years before 2007 and 2006.

NOTE 3 NOTE RECEIVABLE FROM RELATED PARTY

The Center has a note receivable from the president of the Center. The note requires monthly payments of \$1,575 with interest at 1.65%. The note is due by October, 2015 and is secured by a deed of trust in residential real estate.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 4 UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Unconditional promises to give consist of the following at December 31:

	2010	2009
* Bequests	\$ 551,365	\$ 674,374
Temporarily Restricted Pledges for Capital Campaign	2,141,028	2,798,028
	2,692,393	3,472,402
Less: Discount	(80,712)	(156,870)
	\$ 2,611,681	\$ 3,315,532

Unconditional promises to give due in one to five years are discounted at 6%. Pledges receivable for \$25,000 and \$2,240,000 were impaired due to management's estimate of uncollectibility during 2010 and 2009, respectively.

The following is a schedule by years of future receipts for capital campaign pledges together with their present value as of December 31:

2011	\$ 1,153,528
2012	527,500
2013	455,000
2014	5,000
	\$ 2,141,028

* Bequests are usually received within a two year period following the death of donor, and are typically subject to court proceedings and the probate process.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

NOTE 5 INVESTMENTS

Investments are stated at fair value and consist of the following at December 31:

	2010	2009
Corporate Stocks	\$ 2,130,065	\$ 2,131,618
Mutual Funds	637,032	318,548
U.S. Government Obligations	483,384	431,500
Corporate Bonds and Notes	358,534	816,636
Managed Funds	652,339	545,938
Municipal Funds	52,212	-
	\$ 4,313,566	\$ 4,244,240

The following schedule summarizes the investment return of the assets shown above and its classification in the statement of activities for the years ended December 31:

	2010	2009
Interest and Dividend Income	\$ 88,120	\$ 90,703
Net Realized and Unrealized Gain on Investments	394,176	828,818
	\$ 482,296	\$ 919,521

NOTE 6 CHARITABLE REMAINDER TRUSTS

In 2010, the Center became the beneficiary of a charitable remainder trust administered by an outside trustee. The trust provides for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's unrestricted use. The trust's assets consist of cash, investments and real property and were valued using a discount rate of 3% for the year ended December 31, 2010. At December 31, 2010, the trust had a value of \$310,500, and was shown net of a discount of \$147,546.

The Center is the beneficiary of a charitable remainder trust administered by an outside trustee. The trust provides for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's unrestricted use. The trust's assets consist of cash and investments and were valued using a discount rate of 3% and 3.4% for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010, the trust had a value of \$311,959, and was shown net of a discount of \$59,247. At December 31, 2009, the trust had a value of \$304,560, and was shown net of a discount of \$232,072.

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6 CHARITABLE REMAINDER TRUSTS (continued)

The Center is the beneficiary of a charitable remainder trust administered by an outside trustee. The trust provides for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's Equine hospital. The trust's assets consist of cash, investments and real property and were valued using discount rates of 3% and 3.4% for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010, the trust had a value \$3,115,467, and was shown net of a discount of \$627,362. At December 31, 2009, the trust had a value of \$3,693,170, and was shown net of a discount of \$879,011.

The Center is the beneficiary of a charitable remainder trust administered by an outside trustee. The trust provides for the payment of distributions to a beneficiary over the term of the trust. At the end of the trust's term, the remaining assets are available for the Center's unrestricted use. The trust's assets consist of cash and investments and were valued using a discount rate of 3% and 3.4% for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010, the trust had a value of \$57,853, and was shown net of a discount of \$24,726. At December 31, 2009, the trust had a value of \$59,206, and was shown net of a discount of \$25,465.

NOTE 7 LIFE INSURANCE PREMIUM AND ANNUITY ACCOUNT

The Center maintains a life insurance policy with a face value of \$469,000 on a former key employee. The policy was originated under a split-dollar insurance agreement with the insured. In accordance with the agreement, the Center was to be repaid an amount equal to the cumulative total of its share of premiums on the policy. During 2006, the agreement was amended and the Center agreed to pay all premiums for the remainder of the policy, and in exchange, the former employee assigned his beneficiary interest in the policy to the Center. The Center records the policy at an estimated fair value using a discounted cash flow method. The face value of the policy is discounted based on the life expectancy of the insured and a 3% discount rate.

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NOTE 7 LIFE INSURANCE PREMIUM AND ANNUITY ACCOUNT (continued)

During 2003, the Center simultaneously entered into contracts for a single premium immediate annuity and a guaranteed death benefit universal life insurance policy on a donor. The annuity is a life income annuity, no payments will be made after the annuitant's death. The life insurance policy is a flexible premium adjustable life insurance policy, with a face value of \$500,000. The Center chose to pay fixed periodic premium payments. The Center also receives a guaranteed interest of 4% annually on the accumulated value of the policy. The income generated by the annuity is used to pay the premiums on the life insurance policy and support the general operations of the Center. Once the annuity ends the Center will receive the death benefit from the universal life insurance policy and recover the funds it paid for the annuity contract. The Center records these contracts at fair value using a discounted cash flow method. The annuity contract was terminated in December 2010 and the Center received the full death benefit in February 2011.

Both life insurance policies carry a cash surrender value that is significantly less than the face amount of the policy. However, the Center does not intend to terminate or allow the policies to lapse.

NOTE 8 FAIR VALUE MEASUREMENT

The Company adopted the methods of fair value measurement to value its financial assets. Fair value is based on the price 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, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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NOTE 8 FAIR VALUE MEASUREMENT (continued)

Financial assets and liabilities carried at fair value at December 31, 2010 and 2009 are classified below in one of three categories described above. The table below presents the balances of assets measured at fair value on a recurring basis.

Assets	2010 Level 1	2010 Level 2	2010 Level 3	2010 Total
Investments	\$ 2,767,097	\$ 1,546,469	\$ -	\$ 4,313,566
Charitable Remainder Trusts	-	2,936,898	-	2,936,898
Life Insurance Premium and Annuity Account	-	916,700	-	916,700
	<u>\$ 2,767,097</u>	<u>\$ 5,400,067</u>	<u>\$ -</u>	<u>\$ 8,167,164</u>
Assets	2009 Level 1	2009 Level 2	2009 Level 3	2009 Total
Investments	\$ 2,450,166	\$ 1,794,074	\$ -	\$ 4,244,240
Charitable Remainder Trusts	-	2,920,388	-	2,920,388
Life Insurance Premium and Annuity Account	-	904,563	-	904,563
	<u>\$ 2,450,166</u>	<u>\$ 5,619,025</u>	<u>\$ -</u>	<u>\$ 8,069,191</u>

The investments in marketable securities are valued at market prices in active markets and are classified as Level 1. The investments in fixed income securities, managed funds and government obligations are valued using a bid-evaluation method which compares the corroborated indicative quotes and other observable market-based data. These investments are classified as Level 2.

The charitable remainder trusts assets are valued using a valuation model that calculates the net present value of estimated future cash flows and are classified as Level 2 (See Note 6).

The life insurance premium and annuity account are discounted based on life expectancy of the insured and are classified as Level 2 (See Note 7).

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 FAIR VALUE MEASUREMENT (continued)

Assets and Liabilities Recorded at Fair Value on a Nonrecurring Basis - The Center may be required, from time to time, to measure certain assets at fair value on a nonrecurring basis in accordance with GAAP. The adjustments to fair value usually result from application of lower-of-cost-market accounting or write-downs of individual assets. For assets measured at fair value on a nonrecurring basis in 2010 and 2009 that were still held in the balance sheet at each respective year end, the following table provides the fair value hierarchy and the carrying value of the related individual assets or portfolios at year end.

Assets	2010 Level 1	2010 Level 2	2010 Level 3	2010 Total
Unconditional Promises to Give	\$ -	\$ -	\$ 2,611,681	\$ 2,611,681
Unconditional Promises to Give	\$ -	\$ -	\$ 3,315,532	\$ 3,315,532

The unconditional promises to give are valued using a discounted cash flow model and is classified as a Level 3.

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2010:

Balance at January 1, 2010	Unconditional Promises to Give \$ 3,315,532
New Pledges Received	360,039
Collections	(958,178)
Impairment of Pledge Receivable	(25,000)
Discount on Pledges	(80,712)
Balance at December 31, 2010	\$ 2,611,681

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NOTE 8 FAIR VALUE MEASUREMENT (continued)

The following summarizes fair value measurements using significant Level 3 inputs, and changes therein, for the year ended December 31, 2009:

	Unconditional Promises to Give
Balance at January 1, 2009	\$ 4,612,870
New Pledges Received	3,933,733
Collections	(2,834,201)
Impairment of Pledge Receivable	(2,240,000)
Discount on Pledges	(156,870)
Balance at December 31, 2009	\$ 3,315,532

NOTE 9 PROPERTY AND EQUIPMENT

Property and Equipment consist of the following at December 31:

	2010	2009
Construction in Progress	\$ 10,116,459	\$ 4,388,059
Building and Improvements	5,554,948	5,554,948
Equipment	1,718,850	1,592,332
Land and Improvements	670,055	666,212
Vehicles	204,945	212,769
Furniture and Fixtures	91,087	91,087
	18,356,344	12,505,407
Accumulated Depreciation	(7,004,467)	(6,758,874)
	\$ 11,351,877	\$ 5,746,533

Depreciation expense was \$280,968 and \$284,272 for the years ended December 31, 2010 and 2009, respectively.

Capitalized interest totaled \$5,740 and \$0 for the years ended December 31, 2010 and 2009, respectively.

NOTE 10 INVESTMENT IN SAN DIEGO FOUNDATION

The Center has investments held by the San Diego Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The income from these investments is kept inside the account as part of an endowment. The investments are carried at fair value and totaled \$13,523 and \$12,425 at December 31, 2010 and 2009, respectively.

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NOTE 11 INVESTMENT IN RANCHO SANTA FE FOUNDATION

The Center has investments held by the Rancho Santa Fe Foundation, which are classified as permanently restricted as the investments must be maintained in perpetuity. The income from these investments is kept inside the account as part of an endowment. The investments are carried at fair value and totaled \$14,802 and \$13,211 at December 31, 2010 and 2009, respectively.

NOTE 12 DEFERRED COMPENSATION

In April 1987, the Center entered into an employment agreement with a former key employee, which included the establishment of an unfunded nonqualified deferred compensation arrangement that included health insurance premiums. Generally accepted accounting principles require that the Center recognize a liability for the cost of unfunded deferred compensation arrangements and post employment health insurance benefits. The liability at the end of each year represents the present value of the benefits expected to be paid and totaled \$86,401 and \$110,045 at December 31, 2010 and 2009, respectively. Each year the Center recognizes an expense equal to the change in the liability based on a 5% discount factor. Total expenses related to this agreement were \$4,114 and \$5,374 for the years December 31, 2010 and 2009, respectively.

NOTE 13 LINE OF CREDIT

During 2010, the Center executed a \$3,000,000 line of credit with California Bank & Trust which expires on February 1, 2016. The Center has drawn a total of \$1,990,000 against the line of credit as of December 31, 2010. The line of credit bears a variable interest rate of 5% at December 31, 2010 and is collateralized by substantially all business assets.

As of December 31, 2010, the Center was in compliance with their banking covenants set forth in the line of credit agreement. The credit agreement states the Center is required to maintain a minimum liquid asset balance of at least \$4,500,000.

NOTE 14 NOTE PAYABLE

During 2010, the Center entered in a note payable for an auto loan. The note bears no interest and calls for monthly principal payments of \$383. The note matures on May, 2016 and is secured by the underlying vehicle.

**HELEN WOODWARD ANIMAL CENTER
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NOTE 14 NOTE PAYABLE (continued)

The following is a summary of principal maturities of long-term debt for the next five years:

2011	\$	4,592
2012		4,592
2013		4,592
2014		4,592
2015		4,592
Thereafter		1,913
	<u>\$</u>	<u>24,873</u>

NOTE 15 RETIREMENT PLAN

The Center maintains a tax deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. Eligible employees may contribute a percentage of their compensation to the plan. The Center matches a portion of the employee's contribution and pays all of the administrative and investment fees for the plan. The total expenses related to the plan for the years ended December 31, 2010 and 2009 were approximately \$77,000 and \$66,000, respectively.

While the Center expects to continue the plan indefinitely, it has reserved the right to modify, amend, or terminate the plan. In the event of termination, the entire amount contributed under the plan must be applied to the payment of benefits to the participants or their beneficiaries.

NOTE 16 NET ASSETS

Temporarily restricted net assets were available for the following purposes at December 31:

	2010	2009
Charitable Remainder Trusts	\$ 2,936,898	\$ 2,920,388
Capital Campaign	179,008	3,782,734
Equine Hospital Equipment	38,803	38,803
General Obligations	28,438	11,689
Education Operations and Programs	23,586	3,250
Adoptions Training	14,710	9,045
Equine Memorial Fund	5,351	4,552
Equine Hospital Emergency Services	4,386	4,386
AniMeals Operations	2,607	1,915
Adoptions Emergency Medical Fund	1,451	1,451

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NOTE 16 NET ASSETS (continued)

Adoptions Equipment	1,450	1,450
Therapeutic Riding Equipment and Building	1,224	1,577
Adoptions Operations and Supplies	382	80
Pet Encounter Therapy Operations	-	5,464
Therapeutic Riding Operations	-	1,516
Unconditional Promises to Give in Future Years:		
Capital Campaign (Net of Discount)	2,060,314	2,641,158
General Operations	551,365	674,374
	<u>\$ 5,849,973</u>	<u>\$ 10,103,832</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restriction specified by donors as follows:

	2010	2009
Capital Campaign	\$ 4,170,766	\$ 1,770,906
General Obligations	384,510	395,759
Adoptions Operations and Supplies	366,511	408,789
Therapeutic Riding Operations	152,096	147,900
Charitable Remainder Trusts	146,444	350,028
Pet Encounter Therapy Operations	74,187	63,636
Adoptions Emergency Medical Fund	59,715	46,365
Education Operations and Programs	21,538	17,701
AniMeals Operations	18,250	14,585
Therapeutic Riding Scholarships	10,650	1,539
Equine Hospital Operations	1,275	400
Club Pet	1,001	575
Adoptions Spay/Neuter	775	200
Therapeutic Riding Equipment and Building	354	-
Foster a Horse Program	300	54,900
Equine Hospital Equipment	-	11,993
Hurricane Katrina	-	860
Unconditional Promises to Give in Future Years:		
General Operations	123,009	1,205,727
	<u>\$ 5,531,381</u>	<u>\$ 4,491,863</u>

At December 31, 2010 and 2009, permanently restricted net assets totaling \$1,634,952 resulted from donations received with the stipulation that they be invested to provide a permanent source of income.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17 ENDOWMENT FUND

Included in investments on the Statement of Financial Position are permanently restricted and board designated long-term investments held in an endowment fund. The objective of the endowment fund is to support the continuing operations of the Center. The Center's Board of Directors have delegated authority over the investment of the Endowment Fund to the Investment Committee (the "Committee"). The Committee is responsible for the oversight of the investments of the Endowment Fund and for reporting on the Fund's performance to the Board. The Committee is authorized to retain an investment manager to make investment decisions.

To achieve the desired objective, the Center has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to meet the annual distribution policy rules while growing the fund if possible. Investment risk is measured in terms of the total endowment fund, investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

The distribution policy of the Endowment Fund, allows the Center to spend up to 7% of the fair market value of the permanently restricted portion of the Endowment Fund based on a three-year rolling average. The portion of the Endowment Fund comprised of board designated assets are not subject to similar restrictions and may be spent as the Center determines appropriate.

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

During 2010, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	\$ 92,673	\$ 350,861	\$ 443,534
Amounts Appropriated for Expenditure	(47,476)	(416,677)	(464,153)
Investment and Trustee Fees	(8,799)	(31,718)	(40,517)
Total Change in Endowment Funds	<u>\$ 36,398</u>	<u>\$ (97,534)</u>	<u>\$ (61,136)</u>

**HELEN WOODWARD ANIMAL CENTER
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 17 ENDOWMENT FUND (continued)

During 2009, the Center had the following endowment related activities:

	Permanently Restricted Funds	Board Designated Funds	Total
Investment Income	\$ 4,973	\$ 37,343	\$ 42,316
Contributions	-	18,942	18,942
Amounts Appropriated for Expenditure	(42,131)	(159,023)	(201,154)
Investment and Trustee Fees	(7,927)	(28,918)	(36,845)
Total Change in Endowment Funds	<u>\$ (45,085)</u>	<u>\$ (131,656)</u>	<u>\$ (176,741)</u>

From time to time, the fair value of assets associated with permanently restricted funds may fall below the level that the donor requires the Center to retain permanently. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were \$78,269 and \$114,667 as of December 31, 2010 and 2009 respectively. These deficiencies resulted from unfavorable market fluctuations that have occurred after the investment of permanently restricted funds and continued appropriation for certain programs that were deemed prudent by the Board of Directors.

Endowment net asset composition by type of fund as of December 31, 2010.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 1,634,952	\$ 1,634,952
Board-Designated Endowment Funds	2,379,002	-	-	2,379,002
Total Funds	<u>\$ 2,379,002</u>	<u>\$ -</u>	<u>\$ 1,634,952</u>	<u>\$ 4,013,954</u>

HELEN WOODWARD ANIMAL CENTER
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DECEMBER 31, 2010 AND 2009

NOTE 17 ENDOWMENT FUND (continued)

Changes in endowment net assets as of December 31, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ 2,440,138	\$ -	\$ 1,634,952	\$ 4,075,090
Investment Income	443,534	-	-	443,534
Contributions	-	-	-	-
Amounts Appropriated For Expenditure	(464,153)	-	-	(464,153)
Investment and Trustee Fees	(40,517)	-	-	(40,517)
Endowment Net Assets, End of Year	<u>\$ 2,379,002</u>	<u>\$ -</u>	<u>\$ 1,634,952</u>	<u>\$ 4,013,954</u>

Endowment net asset composition by type of fund as of December 31, 2009.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Endowment Net Assets
Donor-Restricted Endowment Funds	\$ -	\$ -	\$ 1,634,952	\$ 1,634,952
Board-Designated Endowment Funds	2,440,138	-	-	2,440,138
Total Funds	<u>\$ 2,440,138</u>	<u>\$ -</u>	<u>\$ 1,634,952</u>	<u>\$ 4,075,090</u>

Changes in endowment net assets as of December 31, 2009 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ 2,616,879	\$ -	\$ 1,634,952	\$ 4,251,831
Investment Income	42,316	-	-	42,316
Contributions	18,942	-	-	18,942
Amounts Appropriated For Expenditure	(201,154)	-	-	(201,154)
Investment and Trustee Fees	(36,845)	-	-	(36,845)
Endowment Net Assets, End of Year	<u>\$ 2,440,138</u>	<u>\$ -</u>	<u>\$ 1,634,952</u>	<u>\$ 4,075,090</u>

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NOTE 18 SUBSEQUENT EVENTS

Management has evaluated subsequent events through September 30, 2011, the date which the financial statements were available to be issued.