



Seattle Humane
THE HUMANE SOCIETY
FOR SEATTLE/KING COUNTY

Financial Analysis of The Humane Society for Seattle/King County

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PA 750
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Bringing People and Pets Together



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Agenda



Overview of the Organization



Analysis of Financial Statements:
Ratio Analysis



Summary of Fiscal Condition:
Internal Health & External Factors



Recommendations & Conclusion



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Overview

- ❖ **Known as the Seattle Humane Society**
 - No affiliation with the local municipal animal shelters or the Humane Society of U.S. of the American SPCA

- ❖ **501(c)3 charitable organization**

- ❖ **Mission:**
 - Bring People & Pets Together



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Development

- Founded in 1897, initially devoted to help working animals, especially horses
- Early – mid 1990s, began to provide services for lost and/or stray animals
- **Current focus:**
 - Save homeless animals in local community
 - Shelter for lost/abandoned pets



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Major Programs

- **1. Adoption services**
 - Temporary home for stray, abandoned, or owner-surrendered animals
 - Adopts out over 4,000 dogs/cats a year
- **2. Boarding services**
 - Dog boarding, bath & spa
- **3. Veterinarian clinic services**
 - Low cost spay/neuter operations for low-income families
- **4. Workshops & Seminars**
 - Pet care education/socialization
 - Visits to rehab & senior centers



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Resources

❖ As of March 2007:

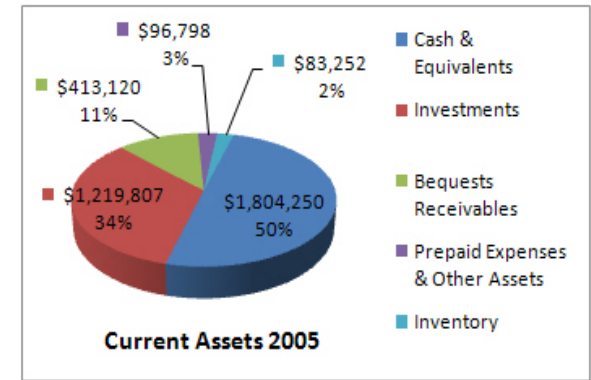
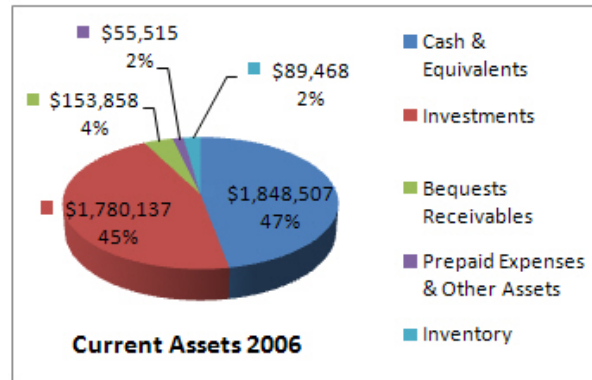
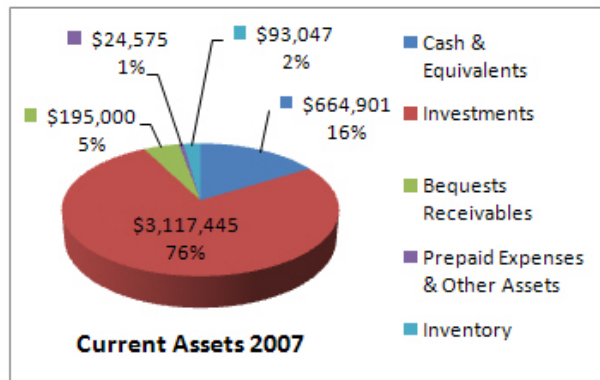
- \$4.8 million in total assets
 - Over 3 million in total support & revenue
 - Over 3 million in total expenses

❖ Analysis using financial statements for fiscal years ending March 2005, March 2006 & March 2007



❖ Balance Sheet

- Overview of each type of current asset among total asset
- Compare if different assets are developed or maintained appropriated over the 3 yr period
- Major shift from Cash & Equivalents to Investment
- Cash depletes due to inflation = good shift if investment is not risky

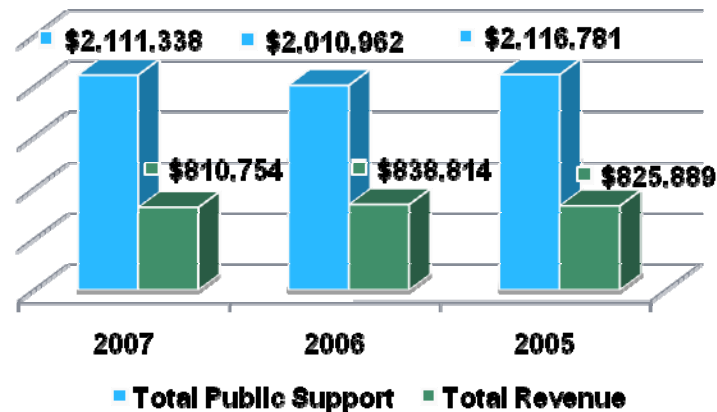


❖ Refer to Presentation Supplement for Actual Ratios



❖ Activity Statement

- Overview of public support & program revenue among total support & revenue
- Public Support = 70% whereas Program Revenue = 30%
- Society should aim to balance public support & program revenue
- During times of economic crisis = less public contribution

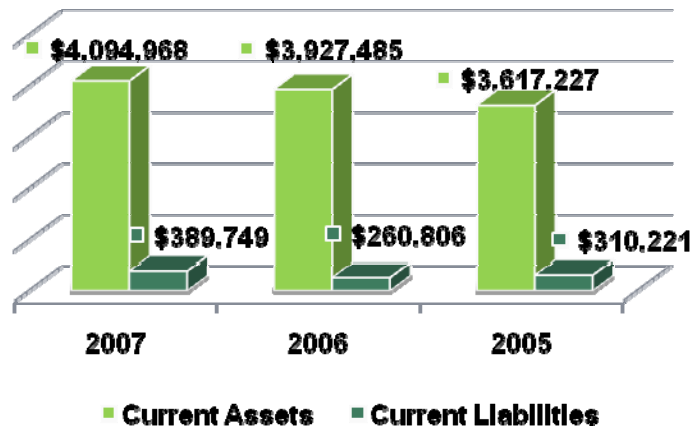


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❖ Current Ratio

- Shows if the society has enough assets to cover liabilities & if it can meet all of its obligations in the short-run
- The society has 10 times of assets to cover its liability = excellent



❖ Refer to Presentation Supplement for Actual Ratios

❖ Days of Cash on Hand

2007	2006	2005
76	231	242

- Shows how long the society can continue to operate
- Over 2 months = great liquidity
- Improvement from too much cash in the past



❖ Fixed Asset Turnover

- Shows if the society has generated revenue from investing in fixed asset, such as land & equipment
- Shows how much is generated per dollar invested
- Society generates \$4.50 in revenue per dollar spent on fixed asset = excellent ratio

2007	2006	2005
4.5	5.3	4.34

❖ Total Asset Turnover

- Shows revenue generated from not just fixed asset, but also cash, inventories, etc.
- Shows if society has good use of its resources over time
- Society gets only about \$0.65 per dollar of its total resources
- Should re-evaluate and aim for a ratio of 1.0+

2007	2006	2005
0.65	0.69	0.71



❖ Debt Ratio

(using total liabilities)

- Shows how well the society will:
 - Operate in the long-run.
 - Meet long-term obligations
 - To what extent, use debt or liability to finance for its operations
- Society has excellent ratio
 - No debt; minimal liability
 - No worries about meeting long-term financial obligations

2007	2006	2005
0.08	0.06	0.08

❖ Times-interest-earned ratio

- Shows how many times the society can pay its interest payment
- Ratio declined over the year but still in excellent range
- Very low interest payment & excellent ability to pay it off

2007	2006	2005
186	270.54	316.47



❖ Total Margin

- Accesses profitability of programs
- Low profit margin ratio of 0.05
- Each dollar spent to receive support only brings in about \$0.05 increase in net asset
- Should find ways to increase profitability

2007	2006	2005
0.05	0.08	0.13

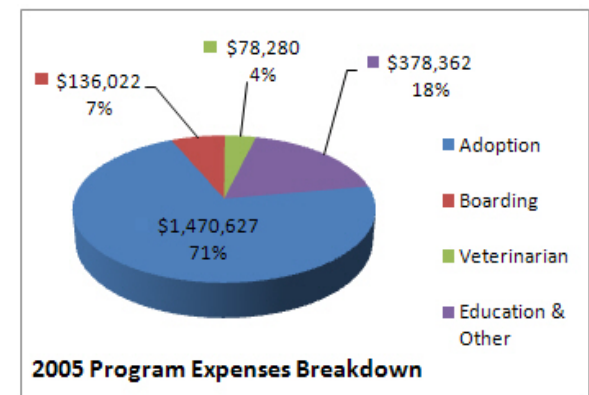
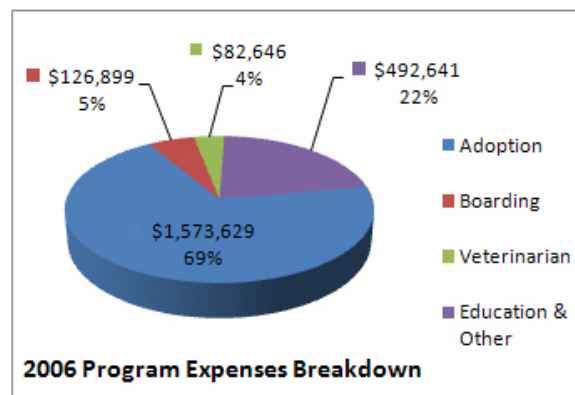
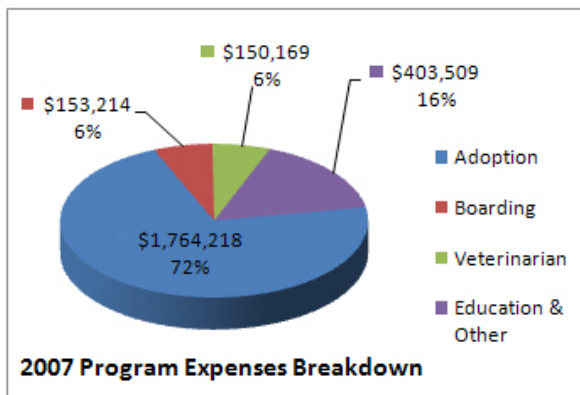
❖ Return on Net Assets

- Shows amount of profit earned for each dollar used on its assets
- Low ratio of 0.03
- Each dollar spent on assets is only bringing in about \$0.03 increase in net asset
- Continues to drop over the past 3 years

2007	2006	2005
0.03	0.06	0.10



- ❖ Determines how much is spent on providing each type of services
- ❖ Does not show if money is spent efficiently, but shows whether income was spent on program services vs. other costs
- ❖ Excellent program services ratio of 0.77 = over 70% spent on providing services to the public
- ❖ Of the total program spending, 70% was for adoption services = primary mission (good sign since the society is spending in the right area)



❖ Refer to Presentation Supplement for Actual Ratios



❖ Strengths

- Good move from cash to investment since cash depletes with inflation & no return
- Great liquidity = even with a significant portion (70%) of its asset in investment, the society still has two months' worth of operating cash on hand
- Total amount of current assets = 10 times the amount of total current liabilities
- Good asset turnover rate where each dollar invested in fixed assets, such as land, building, and equipment, returns over \$4 in revenue
- No debt and has an exceptionally low interest payment, which an excellent ability to pay off that interest over 180 times a year
- No issues meeting both its short-term and long-term financial obligations
- Strong, solid, stable fiscal build that allows the society to operate smoothly without any worries for deficits



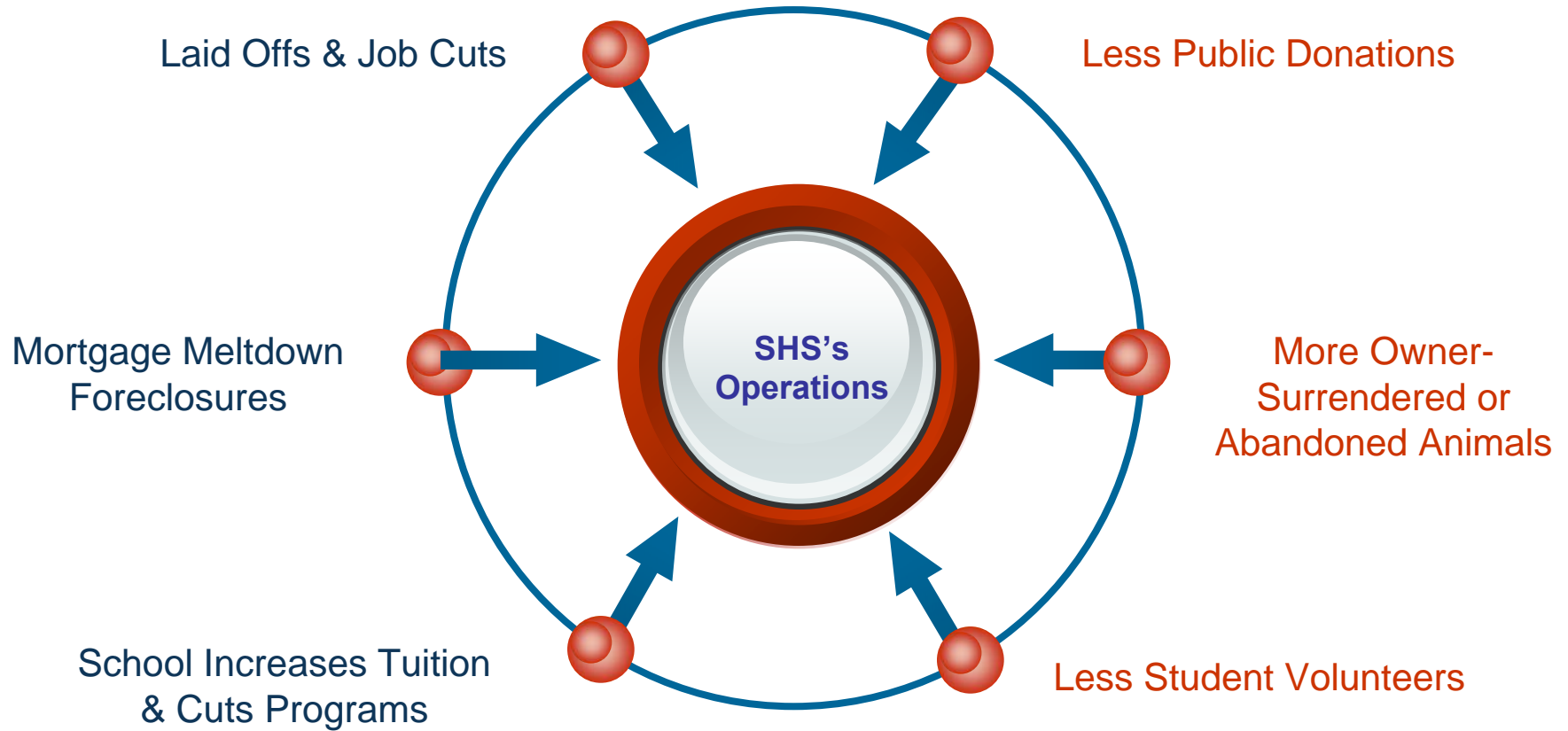
❖ Weaknesses

- Low profit margin ratio & low RONA ratio showing programs & money spent on resources is bringing in minimal profit
- Low profit means that the society's asset along with its programs do not bring in much revenue, and rely heavily on donations or public contributions
- Public support accounts for close to 70% of society's unrestricted revenue/support, where as total revenue accounts for only 30%
- An imbalance of support versus revenue, and a lack of success generating profit through the society's programs
- Long-run obligations may be affected by external factors that lead to a decline in public support



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External Factors





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Recommendations

- ❖ If public contributions do decline in times of economic crisis:
 - Cut specific (less popular) services and/or increase fees on existing programs, but must do so while reserving funds to continue to serve the underrepresented population at a reduced fee
 - Cost-benefit, break-even analysis to see how, and by what level, to increase the fee
 - Revise programs to generate more profits, which will help to balance its revenue sources & to prevent a financial shortfall



❖ Other recommendations:

- Increase fees to the non-underrepresented population to increase its program profitability
- Create special events, such as themed adoption fairs or animal-related carnivals and activities
 - * Increase the organization's visibility in the local community
 - * Recruit more individual donors to further increase its public support
 - * Allow the organization the opportunity to find corporate sponsors or business partnerships = diversification of the organization's funding source



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Conclusion

- ❖ Overall, the Seattle Humane Society is in excellent financial standing; both stable and viable
- ❖ The organization has enough in cash, has good liquidity, while keeping a significant portion of its asset in investment for good returns
- ❖ The society also has a good fixed asset turnover rate, along with excellent leverage and coverage ratios
- ❖ The society is spending the majority of its expenses in program services, which is ideal for a non-profit.
- ❖ May just want to visit profitability of its programs or expand funding sources



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Thank You!

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