

**OSHKOSH AREA HUMANE
SOCIETY, INC.**

ANNUAL REPORT

MAY 31, 2013

Oshkosh Area Humane Society, Inc.

May 31, 2013

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Auditor's Report

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SCRIMA, KABITZKE & Co., S.C.
CERTIFIED PUBLIC ACCOUNTANTS
328 WEST SUNSET DRIVE
WAUKESHA, WISCONSIN 53189

TELEPHONE
(262) 542-8401
FAX 542-8713

MEMBER WISCONSIN
INSTITUTE OF CPA'S

INDEPENDENT AUDITOR'S REPORT

To the Board Members
Oshkosh Area Humane Society, Inc.
Oshkosh, Wisconsin

We have audited the accompanying financial statements of Oshkosh Area Humane Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of May 31, 2013, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oshkosh Area Humane Society, Inc. as of May 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Oshkosh Area Humane Society, Inc.'s 2012 financial statements, and our report dated August 20, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Scrima, Kabitzke & Co. S.C.

Scrima, Kabitzke & Co., S.C.
Waukesha, Wisconsin
August 26, 2013

Oshkosh Area Humane Society, Inc.

Statements of Financial Position

May 31, 2013

(with comparative totals for May 31, 2012)

ASSETS

	05/31/13 Total	05/31/12 Total
Current Assets		
Cash and cash equivalents	\$ 206,334	\$ 186,164
Accounts receivable	792	
Total Current Assets	207,126	186,164
Property and Equipment		
Land	284,779	284,779
Building and improvements	1,716,828	1,716,828
Furniture and equipment	190,355	179,026
Automobile	7,588	7,588
	2,199,550	2,188,221
Less - accumulated depreciation	(544,222)	(484,104)
Net Property and Equipment	1,655,328	1,704,117
Other Assets		
Beneficial interest in assets held by community foundation	127,281	107,520
Beneficial interest in trust	1,407,737	1,332,732
Total Other Assets	1,535,018	1,440,252
Total Assets	\$ 3,397,472	\$ 3,330,533

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued wages	\$ 15,890	\$ 14,614
Accounts payable	19,725	30,786
Accrued interest	559	689
Sales tax payable	469	182
Payroll taxes payable	2,271	1,069
Accrued expenses	993	1,100
Deferred revenue	2,012	1,640
Current portion of notes payable	46,800	46,800
Total Current Liabilities	88,719	96,880
Long-Term Liabilities		
Notes payable, less current portion	276,482	358,782
Total Liabilities	365,201	455,662
Net Assets - Unrestricted - Operating	1,437,033	1,274,980
- Board Designated	174,782	257,082
- Temporary Restricted	12,719	10,077
- Permanently Restricted	1,407,737	1,332,732
Total Net Assets	3,032,271	2,874,871
Total Liabilities and Net Assets	\$ 3,397,472	\$ 3,330,533

The accompanying notes are an integral part of these statements.

Oshkosh Area Humane Society, Inc.**Statements of Activities****For the Year Ended May 31, 2013****(with comparative totals for May 31, 2012)**

	Unrestricted	Temporary Restricted	Permanently Restricted	05/31/13 Total	05/31/12 Total
Operating Revenue					
City Contract	\$ 68,018	\$	\$	\$ 68,018	\$ 75,450
Adoptions	21,132			21,132	25,616
Redemptions	9,788			9,788	10,380
Impounding Service Fees	10,168			10,168	8,846
Boarding	702			702	729
Other Municipalities	8,858			8,858	2,080
Licensing Fees	16,566			16,566	13,829
Miscellaneous	26,418			26,418	25,498
Membership Dues	24,251			24,251	34,137
Total	185,901			185,901	196,565
Operating Expenses					
Program	716,046			716,046	742,626
General & Administration Expenses	105,380			105,380	132,332
Fundraising	23,707			23,707	
Total	845,133			845,133	874,958
Operating Deficit	(659,232)			(659,232)	(678,393)
Public Support and Other Revenues					
Bequests	161,340			161,340	81,500
Contributions	271,956			271,956	336,260
Fund Raising Projects	275,209			275,209	253,376
Fund Raising Direct Expenses	(52,556)			(52,556)	(44,664)
Gain (loss) on beneficial interest in assets held by foundation			140,099	140,099	(82,877)
Gain (loss) on beneficial interest in trust	19,758			19,758	(2,235)
Miscellaneous income	147			147	1,859
Investment Income	656	23		679	1,050
Total Public Support	676,510	23	140,099	816,632	544,269
Change in Net Assets	17,278	23	140,099	157,400	(134,124)
Net Assets - Beginning of Year	1,532,062	10,077	1,332,732	2,874,871	3,008,995
Transfer: Unemployment Fund	(2,619)	2,619			
From Kay Wilde Fund	65,094		(65,094)		
Net Assets - End of Year	\$ 1,611,815	\$ 12,719	\$ 1,407,737	\$ 3,032,271	\$ 2,874,871

The accompanying notes are an integral part of these statements.

Oshkosh Area Humane Society, Inc.

Statements of Cash Flows

For the Year Ended May 31, 2013

(with comparative totals for May 31, 2012)

Cash Flows From Operating Activities	<u>May 31, 2013</u>	<u>May 31, 2012</u>
Change in Net Assets	\$ 157,400	\$ (134,124)
Adjustments to reconcile net increase in net assets to net cash provided by operating activities -		
Depreciation and amortization	60,118	69,983
Change in beneficial interest of community foundation	(75,005)	132,877
Change in beneficial interest in trust	(19,761)	(57,098)
(Increase) decrease in operating assets -		
Accounts receivable	(792)	2,116
(Decrease) increase in operating liabilities -		
Accounts payable	(11,061)	17,370
Accrued expenses	(107)	(1,930)
Sales tax payable	287	(76)
Payroll taxes payable	1,202	(2)
Accrued wages	1,276	2,427
Accrued interest	(130)	(105)
Deferred revenue	372	(1,160)
Net cash provided by operating activities	<u>113,799</u>	<u>30,278</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(11,329)</u>	<u>(10,160)</u>
Cash Flows From Financing Activities		
Payments on notes	<u>(82,300)</u>	<u>(61,718)</u>
Net Increase (Decrease) in Cash	20,170	(41,600)
Cash, Beginning of Year	<u>186,164</u>	<u>227,764</u>
Cash, End of Year	<u>\$ 206,334</u>	<u>\$ 186,164</u>
<u>Supplemental Information</u>		
Interest expense	<u>\$ 14,884</u>	<u>\$ 17,403</u>

The accompanying notes are an integral part of these statements.

Oshkosh Area Humane Society, Inc.

Statements of Functional Expenses

For the Year Ended May 31, 2013

(with comparative totals for May 31, 2012)

	<u>Program</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>05/31/13 Total</u>	<u>05/31/12 Total</u>
Compensation	\$ 376,222	\$ 78,984	\$ 18,350	\$ 473,556	\$ 457,822
Payroll taxes	28,176	5,916	1,374	35,466	33,619
Benefits	27,466	5,766	1,340	34,572	35,469
Professional fees	2,597	282	141	3,020	7,289
Supplies	61,250	1,837	197	63,284	94,069
Telephone	1,894	223	111	2,228	1,791
Office expense	4,415	193	97	4,705	3,357
Postage and shipping	2,817	262	131	3,210	3,727
Occupancy	42,537	2,263	453	45,253	43,858
Repairs and maintenance	7,457	397	79	7,933	8,241
Printing and publications	3,632	427	214	4,273	4,085
Vehicle	1,445	161		1,606	870
Conferences and meetings	3,019	159		3,178	6,112
Computer expense	8,546	971	194	9,711	10,088
Volunteers	79			79	131
Depreciation	56,511	3,006	601	60,118	69,983
Insurance	22,921	1,216	175	24,312	17,268
Dues and memberships	1,158			1,158	888
Animal food	3,679			3,679	3,393
Medical care - animals	28,983			28,983	77,648
Advertising and promotion	8,142			8,142	9,308
Property taxes	4,781	254	51	5,086	4,978
Bank fees	2,124			2,124	3,492
Interest	13,991	744	149	14,884	17,403
Miscellaneous	2,204	2,319	50	4,573	4,733
TOTAL EXPENSES	<u><u>\$ 716,046</u></u>	<u><u>\$ 105,380</u></u>	<u><u>\$ 23,707</u></u>	<u><u>\$ 845,133</u></u>	<u><u>\$ 919,622</u></u>

See accompanying independent auditor's report.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Business

The Oshkosh Area Humane Society, Inc. (the Organization) is a non-profit Wisconsin organization engage in providing humane care and treatment to all animals needing protection and, as of October 1, 1993, to operate the Oshkosh Animal Shelter.

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.

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.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair market value at the date of donation. The Organization's capitalization policy is to capitalize property and equipment with amounts greater than \$5,000. Assets donated with explicit restrictions 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 Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment is depreciated using the straight-line method. Depreciation expense for 2013 and 2012 was \$60,118 and \$69,983, respectively.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 1 - Summary of Significant Accounting Policies - continued

Basis of Presentation

Net assets are classified into one of three classes of net assets based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted - Unrestricted net assets include all net assets which are neither temporarily nor permanently restricted.

Temporarily Restricted - Temporarily restricted net assets include contributed net assets for which donor imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Permanently Restricted - Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Donated Services

No amounts have been reflected in the accompanying financial statements for donated services.

Tax-Exempt Status

The Organization is tax-exempt under the Internal Revenue Code Section 501(c)(3). The tax-exempt status is based upon the stated purpose of the operations and supporting evidence presented to the Internal Revenue Service with the application for tax-exempt status. Such status is subject to re-evaluation should there be any changes in the operation, character or purpose of the Organization.

Note 2 - Beneficial Interest in Assets Held by Community Foundation

Beneficial interest in assets held by Community Foundation represents amounts held at the Oshkosh Area Community Foundation (the Foundation). The Foundation invests the assets held in the fund. The income and principal may be distributed as follows:

Principal - upon request of two-thirds (2/3) of the directors of the Organization, the Foundation Board may authorize, under unusual circumstances, principal distributions.

Income - upon request of the directors of the Organization, net income after deducting investing and administrative expenses, may be distributed to the Organization.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 2 - Beneficial Interest in Assets Held by Community Foundation (continued)

The agreement governing the assets includes a variance power allowing the Foundation to modify the restrictions on distributions from the funds.

	<u>May 31, 2013</u>	<u>May 31, 2012</u>
Total beneficial interest in assets held by Community Foundation	<u>\$ 127,281</u>	<u>\$ 107,523</u>

Change in value of beneficial interest in assets held by Community Foundation consisted of the following at May 31, 2013 and May 31, 2012:

	<u>May 31, 2013</u>	<u>May 31, 2012</u>
Contributions	\$ 5,693	\$ 65,796
Investment income	1,846	2,247
Realized gains	1,201	531
Unrealized gains	12,543	(3,908)
Investment fees	(1,525)	(1,105)
Transfer to general checking		(6,460)
Net gain on beneficial interest	<u>\$ 19,758</u>	<u>\$ 57,101</u>

Note 3 - Fair Value of Assets

The application of provisions of new pronouncements did not impact the statements of financial position, activities and cash flows for the year ended May 31, 2013. As a basis for considering such assumptions, the new pronouncement establishes a three-tier value hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in active markets.

Level 3 - Unobservable inputs which are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The Organization measures its beneficial interest at fair value. The beneficial interest in assets held by Community Foundation and the beneficial interest in trust are classified within Level 3 because they are valued by the Oshkosh Area Community Foundation (the Foundation) as a pro-rata share of the investment pool held by the Foundation. The beneficial interest in trust is classified as a Level 2 because the Organization has an interest in cash flows from a trust holding marketable securities that are valued using quoted market prices.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 4 - Notes Payable

Notes payable consisted of the following as of May 31, 2013:

Bank First National:

Note payable in the amount of \$303,000 requiring monthly interest payments at a rate of 4.00% based on prime rate; final payment of principal and interest due January 25, 2016; secured by inventory, equipment and real property. Yearly principal payments of \$30,300. \$ 174,782

Note payable in the amount of \$165,000 requiring monthly interest payments at 4.00% at February 15, 2011; final payment of principal and unpaid interest due January 15, 2016. Interest rate is adjusted to the prime rate. Yearly principal payments of \$16,500 148,500

Total Notes Payable	\$ 323,282
Less: Current Portion	<u>(46,800)</u>
Long-Term Portion	<u>\$ 276,482</u>

Note 5 - Board-Designated Net Assets

Net assets were Board-designated for the following purpose at May 31:	<u>2013</u>	<u>2012</u>
Mortgage on Surgery Center Drive	<u>\$ 174,782</u>	<u>\$ 257,082</u>

Note 6 - Concentrations of Credit Risk

The Organization maintains all of its cash and investments in one commercial bank located in Green Bay, Wisconsin. Balances on deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to specified limits. Balances in excess of FDIC limits are uninsured. Total cash and temporary investments held by the bank in excess of FDIC limits were \$-0- at May 31, 2013.

Note 7 - Simple IRA Plan

The Organization sponsors a SIMPLE IRA plan, which is available to substantially all full-time employees. Eligible employees may contribute up to \$14,500 of their eligible salary. The Organization provides matching contributions up to a maximum of 3% of employee wages. The Organization's expense under this plan was \$3,829 for the year-ended May 31, 2013 and \$1,945 for the year ended May 31, 2012.

Note 8 - Endowment

The Organization's endowment consists of a beneficial interest in an irrevocable trust that is held at the Oshkosh Area Community Foundation to be used for various purposes. The endowment includes donor-restricted funds to keep in perpetuity. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 8 - Endowment (continued)

The permanently restricted endowment fund that is a beneficial interest in trust is not managed by the Organization and, therefore, the Organization has no control over investment and spending policies. Per trust agreement, the ordinary income from the trust is available for operations of the Organization and market fluctuations are permanently restricted.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies of the Foundation where the endowment holds assets that attempt to provide a predictable stream of available funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under agreements with the Foundation, as approved by the Board of Directors, the endowment assets held are invested in a manner that is intended to produce results benchmarked on appropriate market indices based on the level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization monitors the strategies of the Foundation that target a diversified allocation that places greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Foundation shall make distributions from the endowment funds in accordance with an adopted spending policy created by the Foundation's investment committee. The committee reviews spending policies annually and approves the spending rate for the following fiscal year. The spending rate generally permits the Organization to spend four to five percent annually. The Organization also has a Finance Committee to monitor the spending of endowment assets and make requests for distributions. No distributions are made if the endowment assets fall below specified amounts.

Note 9- Subsequent Events

The Organization has evaluated all subsequent events through August 26, 2013, for possible inclusion as a disclosure in the notes to the financial statements. The Organization has no subsequent events that require disclosure in the notes to the financial statements.

Note 10 - Accounting for Uncertainty in Income Taxes

In June 2006, the Financial Accounting Standards Board issued ASC 740-10 (formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. The Organization adopted ASC 740-10 as of June 1, 2009. There was no impact to the Organization's consolidated financial statements as a result of the implementation of ASC 740-10.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2013

Note 11 - Restrictions on Assets

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2013</u>	<u>2012</u>
Unemployment deposit	<u>\$ 12,719</u>	<u>\$ 10,077</u>

Note 12 - Comparative Statements

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended May 31, 2012, from which the summarized information was derived.