

**Oshkosh Area Humane Society, Inc.**

**May 31, 2014**

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**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, 2014, 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, 2014, 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 2013 financial statements, and our report dated August 26, 2013, 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, 2013, 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 19, 2014

**Oshkosh Area Humane Society, Inc.****Statements of Financial Position****May 31, 2014**

(with comparative totals for May 31, 2013)

**ASSETS**

	05/31/14 Total	05/31/13 Total
Current Assets		
Cash and cash equivalents	\$ 196,700	\$ 206,334
Accounts receivable	1,709	792
Total Current Assets	<u>198,409</u>	<u>207,126</u>
Property and Equipment		
Land	284,779	284,779
Building and improvements	1,716,828	1,716,828
Furniture and equipment	190,355	190,355
Automobile	7,588	7,588
	<u>2,199,550</u>	<u>2,199,550</u>
Less - accumulated depreciation	<u>(602,642)</u>	<u>(544,222)</u>
Net Property and Equipment	<u>1,596,908</u>	<u>1,655,328</u>
Other Assets		
Beneficial interest in assets held by community foundation	130,308	127,281
Beneficial interest in trust	1,378,351	1,407,737
Total Other Assets	<u>1,508,659</u>	<u>1,535,018</u>
Total Assets	<u>\$ 3,303,976</u>	<u>\$ 3,397,472</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accrued wages	\$ 17,286	\$ 15,890
Accounts payable	27,287	19,725
Accrued interest	546	559
Sales tax payable	376	469
Payroll taxes payable		2,271
Accrued expenses	367	993
Deferred revenue	2,000	2,012
Current portion of notes payable	46,800	46,800
Total Current Liabilities	<u>94,662</u>	<u>88,719</u>
Long-Term Liabilities		
Notes payable, less current portion	274,682	276,482
Total Liabilities	<u>369,344</u>	<u>365,201</u>
Net Assets - Unrestricted - Operating	1,370,555	1,437,033
- Board Designated	172,982	174,782
- Temporary Restricted	12,744	12,719
- Permanently Restricted	1,378,351	1,407,737
Total Net Assets	<u>2,934,632</u>	<u>3,032,271</u>
Total Liabilities and Net Assets	<u>\$ 3,303,976</u>	<u>\$ 3,397,472</u>

The accompanying notes are an integral part of these statements.



**Oshkosh Area Humane Society, Inc.****Statements of Activities****For the Year Ended May 31, 2014**

(with comparative totals for May 31, 2013)

	Unrestricted	Temporary Restricted	Permanently Restricted	5/31/2014 Total	5/31/2013 Total
Operating Revenue					
City Contract	\$ 74,201	\$	\$	\$ 74,201	\$ 68,018
Adoptions	24,231			24,231	21,132
Redemptions	11,598			11,598	9,788
Impounding Service Fees	9,030			9,030	10,168
Boarding	567			567	702
Other Municipalities	3,800			3,800	8,858
Licensing Fees	16,647			16,647	16,566
Miscellaneous	33,457			33,457	26,418
Membership Dues	14,305			14,305	24,251
Total	187,836			187,836	185,901
Operating Expenses					
Program	697,118			697,118	716,046
General & Administration Expenses	127,892			127,892	105,380
Fundraising	36,381			36,381	23,707
Total	861,391			861,391	845,133
Operating Deficit	(673,555)			(673,555)	(659,232)
Public Support and Other Revenues					
Bequests	67,217			67,217	161,340
Contributions	243,715			243,715	271,956
Fund Raising Projects	259,702			259,702	275,209
Fund Raising Direct Expenses	(42,892)			(42,892)	(52,556)
Gain (loss) on beneficial interest in assets held by foundation			34,269	34,269	140,099
Gain (loss) on beneficial interest in trust	12,935			12,935	19,758
Miscellaneous income	325			325	147
Investment Income	620	25		645	679
Total Public Support	541,622	25	34,269	575,916	816,632
Change in Net Assets	(131,933)	25	34,269	(97,639)	157,400
Net Assets - Beginning of Year	1,611,815	12,719	1,407,737	3,032,271	2,874,871
Transfer: Kay Wilde Fund	63,655		(63,655)		
Net Assets - End of Year	\$ 1,543,537	\$ 12,744	\$ 1,378,351	\$ 2,934,632	\$ 3,032,271

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, 2014****(with comparative totals for May 31, 2013)**

<b>Cash Flows From Operating Activities</b>	<u>May 31, 2014</u>	<u>May 31, 2013</u>
Change in Net Assets	\$ (97,639)	\$ 157,400
Adjustments to reconcile net increase in net assets to net cash provided by operating activities -		
Depreciation and amortization	58,420	60,118
Change in beneficial interest of community foundation	29,386	(75,005)
Change in beneficial interest in trust	(3,027)	(19,761)
(Increase) decrease in operating assets -		
Accounts receivable	(917)	(792)
(Decrease) increase in operating liabilities -		
Accounts payable	7,562	(11,061)
Accrued expenses	(626)	(107)
Sales tax payable	(93)	287
Payroll taxes payable	(2,271)	1,202
Accrued wages	1,396	1,276
Accrued interest	(13)	(130)
Deferred revenue	(12)	372
Net cash (used) provided by operating activities	<u>(7,834)</u>	<u>113,799</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment		<u>(11,329)</u>
<b>Cash Flows From Financing Activities</b>		
Payments on notes	<u>(1,800)</u>	<u>(82,300)</u>
Net Increase (Decrease) in Cash	(9,634)	20,170
Cash, Beginning of Year	<u>206,334</u>	<u>186,164</u>
Cash, End of Year	<u>\$ 196,700</u>	<u>\$ 206,334</u>
<b><u>Supplemental Information</u></b>		
Interest expense	<u>\$ 13,181</u>	<u>\$ 14,884</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, 2014**

(with comparative totals for May 31, 2013)

	<u>Program</u>	<u>Management &amp; General</u>	<u>Fund Raising</u>	<u>05/31/14 Total</u>	<u>05/31/13 Total</u>
Compensation	\$ 354,306	\$ 95,992	\$ 29,180	\$ 479,478	\$ 473,556
Payroll taxes	24,143	6,541	1,988	32,672	35,466
Benefits	29,267	7,929	2,410	39,606	34,572
Professional fees	1,543	2,610	290	4,443	3,020
Supplies	66,628	1,721	191	68,540	63,284
Telephone	1,814	214	107	2,135	2,228
Office expense	2,660	113	57	2,830	4,705
Postage and shipping	2,210	260	135	2,605	3,210
Occupancy	43,926	2,336	467	46,729	45,253
Repairs and maintenance	17,261	918	184	18,363	7,933
Printing and publications	5,830	686	343	6,859	4,273
Vehicle	1,987	221		2,208	1,606
Conferences and meetings	6,291	60		6,351	3,178
Computer expense	7,703	1,963	218	9,884	9,711
Volunteers	928			928	79
Depreciation	54,915	2,921	584	58,420	60,118
Insurance	19,704	1,046	175	20,925	24,312
Dues and memberships	1,863			1,863	1,158
Animal food	3,840			3,840	3,679
Medical care - animals	24,508			24,508	28,983
Advertising and promotion	3,823			3,823	8,142
Property taxes	4,852	258	52	5,162	5,086
Bank fees	2,456	273		2,729	2,124
Interest	11,863	1,318		13,181	14,884
Miscellaneous	2,797	512		3,309	4,573
<b>TOTAL EXPENSES</b>	<b>\$ 697,118</b>	<b>\$ 127,892</b>	<b>\$ 36,381</b>	<b>\$ 861,391</b>	<b>\$ 845,133</b>

See accompanying independent auditor's report.



Notes to Financial Statements

May 31, 2014

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 2014 and 2013 was \$58,420 and \$60,118, 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, 2014**

**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, 2014**

**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, 2014</u>	<u>May 31, 2013</u>
Total beneficial interest in assets held by Community Foundation	<u>\$ 130,308</u>	<u>\$ 127,281</u>

Change in value of beneficial interest in assets held by Community Foundation consisted of the following at May 31, 2014 and May 31, 2013:

	<u>May 31, 2014</u>	<u>May 31, 2013</u>
Contributions	\$ 531	\$ 5,693
Investment income	1,754	1,846
Realized gains	4,718	1,201
Unrealized gains	6,462	12,543
Investment fees	(1,543)	(1,525)
Grants	<u>(8,895)</u>	<u></u>
Net gain on beneficial interest	<u>\$ 3,027</u>	<u>\$ 19,758</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, 2014. 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, 2014**

**Note 4 - Notes Payable**

Notes payable consisted of the following as of May 31, 2014:

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. \$ 172,982

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	\$ 321,482
Less: Current Portion	<u>(46,800)</u>
Long-Term Portion	<u><u>\$ 274,682</u></u>

**Note 5 - Board-Designated Net Assets**

Net assets were Board-designated for the following purpose at May 31:	<u>2014</u>	<u>2013</u>
Mortgage on Surgery Center Drive	<u>\$ 172,982</u>	<u>\$ 174,782</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, 2014.

**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 \$3,779 for the year-ended May 31, 2014 and \$3,829 for the year ended May 31, 2013.

**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



**Oshkosh Area Humane Society, Inc.**

**Notes to Financial Statements**

**May 31, 2014**

**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 19, 2014, 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.

**Notes to Financial Statements**

**May 31, 2014**

**Note 11 - Restrictions on Assets**

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

	<u>2014</u>	<u>2013</u>
Unemployment deposit	<u>\$ 12,744</u>	<u>\$ 12,719</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, 2013, from which the summarized information was derived.