

OSHKOSH AREA HUMANE
SOCIETY, INC.

ANNUAL REPORT

MAY 31, 2015

Oshkosh Area Humane Society, Inc.

May 31, 2015

Table of Contents

Auditor's Report

Financial Statements

	<u>Page Numbers</u>
Statements of Financial Position	1
Statements of Activities	2
Statements of Cash Flows	3
Statements of Functional Expenses	4
Notes to Financial Statements	5 - 10

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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, 2015, 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, 2015, 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 2014 financial statements, and our report dated August 19, 2014, 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, 2014, 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 17, 2015

Oshkosh Area Humane Society, Inc.

Statements of Financial Position

May 31, 2015

(with comparative totals for May 31, 2014)

ASSETS

	05/31/15 Total	05/31/14 Total
Current Assets		
Cash and cash equivalents	\$ 396,395	\$ 196,700
Accounts receivable	6,879	1,709
Total Current Assets	403,274	198,409
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
	2,199,550	2,199,550
Less - accumulated depreciation	(661,061)	(602,642)
Net Property and Equipment	1,538,489	1,596,908
Other Assets		
Beneficial interest in assets held by community foundation	126,131	130,308
Beneficial interest in trust	1,401,347	1,378,351
Total Other Assets	1,527,478	1,508,659
Total Assets	\$ 3,469,241	\$ 3,303,976

LIABILITIES AND NET ASSETS

Current Liabilities		
Accrued wages	\$ 18,422	\$ 17,286
Accounts payable	12,624	27,287
Accrued interest	396	546
Sales tax payable	512	376
Payroll taxes payable	980	
Accrued expenses	264	367
Deferred revenue	2,000	2,000
Current portion of notes payable	46,800	46,800
Total Current Liabilities	81,998	94,662
Long-Term Liabilities		
Notes payable, less current portion	231,159	274,682
Total Liabilities	313,157	369,344
Net Assets - Unrestricted - Operating	1,399,565	1,370,555
- Board Designated	129,459	172,982
- Temporary Restricted	225,713	12,744
- Permanently Restricted	1,401,347	1,378,351
Total Net Assets	3,156,084	2,934,632
Total Liabilities and Net Assets	\$ 3,469,241	\$ 3,303,976

The accompanying notes are an integral part of these statements.

Oshkosh Area Humane Society, Inc.

Statements of Activities

For the Year Ended May 31, 2015

(with comparative totals for May 31, 2014)

	Unrestricted	Temporary Restricted	Permanently Restricted	05/31/15 Total	05/31/14 Total
Operating Revenue					
City Contract	\$ 74,200	\$	\$	\$ 74,200	\$ 74,201
Adoptions	31,862			31,862	24,231
Redemptions	8,767			8,767	11,598
Impounding Service Fees	8,893			8,893	9,030
Boarding	573			573	567
Other Municipalities				-	3,800
Licensing Fees	17,326			17,326	16,647
Miscellaneous	42,613			42,613	33,457
Membership Dues	13,023			13,023	14,305
Total	197,257			197,257	187,836
Operating Expenses					
Program	709,175			709,175	697,118
General & Administration Expenses	134,029			134,029	127,892
Fundraising	38,609			38,609	36,381
Total	881,813			881,813	861,391
Operating Deficit	(684,556)			(684,556)	(673,555)
Public Support and Other Revenues					
Bequests	50,450	212,283		262,733	67,217
Contributions	304,502			304,502	243,715
Fund Raising Projects	301,945			301,945	259,702
Fund Raising Direct Expenses	(58,500)			(58,500)	(42,892)
Gain (loss) on beneficial interest in assets held by foundation	4,258			4,258	12,935
Gain (loss) on beneficial interest in trust			90,067	90,067	34,269
Miscellaneous income	93			93	325
Investment Income	454	456		910	645
Total Public Support	603,202	212,739	90,067	906,008	575,916
Change in Net Assets	(81,354)	212,739	90,067	221,452	(97,639)
Net Assets - Beginning of Year	1,543,537	12,744	1,378,351	2,934,632	3,032,271
Transfer: Unemployment Reserve	(230)	230			
Kay Wilde Fund	67,071		(67,071)		
Net Assets - End of Year	\$ 1,529,024	\$ 225,713	\$ 1,401,347	\$ 3,156,084	\$ 2,934,632

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, 2015

(with comparative totals for May 31, 2014)

Cash Flows From Operating Activities	<u>May 31, 2015</u>	<u>May 31, 2014</u>
Change in Net Assets	\$ 221,452	\$ (97,639)
Adjustments to reconcile net increase in net assets to net cash provided by operating activities -		
Depreciation and amortization	58,419	58,420
Change in beneficial interest of community foundation	4,177	29,386
Change in beneficial interest in trust	(22,996)	(3,027)
(Increase) decrease in operating assets -		
Accounts receivable	(5,170)	(917)
(Decrease) increase in operating liabilities -		
Accounts payable	(14,663)	7,562
Accrued expenses	(103)	(626)
Sales tax payable	136	(93)
Payroll taxes payable	980	(2,271)
Accrued wages	1,136	1,396
Accrued interest	(150)	(13)
Deferred revenue		(12)
Net cash (used) provided by operating activities	<u>243,218</u>	<u>(7,834)</u>
Cash Flows From Financing Activities		
Payments on notes	<u>(43,523)</u>	<u>(1,800)</u>
Net Increase (Decrease) in Cash	199,695	(9,634)
Cash, Beginning of Year	<u>196,700</u>	<u>206,334</u>
Cash, End of Year	<u>\$ 396,395</u>	<u>\$ 196,700</u>
<u>Supplemental Information</u>		
Interest expense	<u>\$ 11,186</u>	<u>\$ 13,181</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, 2015

(with comparative totals for May 31, 2014)

	<u>Program</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>05/31/15 Total</u>	<u>05/31/14 Total</u>
Compensation	\$ 354,456	\$ 102,606	\$ 31,190	\$ 488,252	\$ 479,478
Payroll taxes	26,074	7,552	2,295	35,921	32,672
Benefits	29,195	8,451	2,569	40,215	39,606
Professional fees	3,035	2,700	300	6,035	4,443
Supplies	70,237	1,128	126	71,491	68,540
Telephone	1,650	194	97	1,941	2,135
Office expense	8,101	436	174	8,711	2,830
Postage and shipping	2,919	343	172	3,434	2,605
Occupancy	41,963	2,232	446	44,641	46,729
Repairs and maintenance	9,837	523	105	10,465	18,363
Printing and publications	2,084	245	123	2,452	6,859
Vehicle	1,391	155		1,546	2,208
Conferences and meetings	6,502	227		6,729	6,351
Computer expense	9,285	575	228	10,088	9,884
Volunteers	504			504	928
Depreciation	54,914	2,921	584	58,419	58,420
Insurance	20,215	1,074	200	21,489	20,925
Dues and memberships	1,050	115		1,165	1,863
Animal food	3,714			3,714	3,840
Medical care - animals	38,746			38,746	24,508
Advertising and promotion	3,133			3,133	3,823
Property taxes	5,863	652		6,515	5,162
Credit Card and Ebay fees	3,814	424		4,238	2,729
Interest	10,067	1,119		11,186	13,181
Miscellaneous	426	357		783	3,309
TOTAL EXPENSES	<u>\$ 709,175</u>	<u>\$ 134,029</u>	<u>\$ 38,609</u>	<u>\$ 881,813</u>	<u>\$ 861,391</u>

See accompanying independent auditor's report.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2015

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 2015 and 2014 was \$58,419 and \$58,420, 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, 2015

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, 2015

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, 2015</u>	<u>May 31, 2014</u>
Total beneficial interest in assets held by Community Foundation	<u>\$ 126,131</u>	<u>\$ 130,308</u>

Change in value of beneficial interest in assets held by Community Foundation consisted of the following at May 31, 2015 and May 31, 2014:

	<u>May 31, 2015</u>	<u>May 31, 2014</u>
Contributions	\$ 1,150	\$ 531
Investment income	1,818	1,754
Realized gains	5,820	4,718
Unrealized gains	(4,530)	6,462
Investment fees	(1,593)	(1,543)
Grants	(6,842)	(8,895)
Net gain (decrease) on beneficial interest	<u>\$ (4,177)</u>	<u>\$ 3,027</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, 2015. 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, 2015

Note 4 - Notes Payable

Notes payable consisted of the following as of May 31, 2015:

The Society combined 2 notes payable on January 15, 2015. The new loan was for \$277,959 with an interest rate of 3.25%. Each year a minimum of \$46,800 is due until July 15, 2021 when the remaining amount is due. Interest is to be paid monthly on any outstanding loan balances.

Note Payable 5/31/2015	\$ 277,959
Less: Current Portion	<u>(46,800)</u>
Long-Term Portion	<u>\$ 231,159</u>

Note 5 - Board-Designated Net Assets

Net assets were Board-designated for the following purpose at May 31:	<u>2015</u>	<u>2014</u>
Mortgage on Surgery Center Drive	<u>\$ 129,459</u>	<u>\$ 172,982</u>

Note 6 - Concentrations of Credit Risk

The Organization maintains all of its cash and investments in one commercial bank, Bank First National. 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 \$157,327 at May 31, 2015.

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 \$5,456 for the year-ended May 31, 2015 and \$3,779 for the year ended May 31, 2014.

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, 2015

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 17, 2015, 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

The Organization is exempt from federal income tax under Section 501(C)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2). The Organization's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Organization is no longer subject to such examinations for tax years before 2012.

Oshkosh Area Humane Society, Inc.

Notes to Financial Statements

May 31, 2015

Note 11 - Restrictions on Assets

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

	<u>2015</u>	<u>2014</u>
Unemployment deposit	\$ 13,000	\$ 12,744
Abused animal	<u>212,713</u>	
Restrictions on Cash	<u>\$ 225,713</u>	<u>\$ 12,744</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, 2014, from which the summarized information was derived.