

OSHKOSH AREA HUMANE  
SOCIETY, INC.

ANNUAL REPORT

MAY 31, 2016

Oshkosh Area Humane Society, Inc.

May 31, 2016

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

**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, 2016, 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, 2016, 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 2015 financial statements, and our report dated August 17, 2015, 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, 2015, 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

September 12, 2016

**Oshkosh Area Humane Society, Inc.**

**Statements of Financial Position**

**May 31, 2016**

(with comparative totals for May 31, 2015)

**ASSETS**

	05/31/16 Total	05/31/15 Total
Current Assets		
Cash and cash equivalents	\$ 230,780	\$ 396,395
Accounts receivable	2,294	6,879
Total Current Assets	<u>233,074</u>	<u>403,274</u>
Property and Equipment		
Land	284,779	284,779
Building and improvements	1,808,640	1,716,828
Furniture and equipment	190,355	190,355
Automobile	7,588	7,588
	<u>2,291,362</u>	<u>2,199,550</u>
Less - accumulated depreciation	<u>(719,196)</u>	<u>(661,061)</u>
Net Property and Equipment	<u>1,572,166</u>	<u>1,538,489</u>
Other Assets		
Beneficial interest in assets held by community foundation	297,744	126,131
Beneficial interest in trust	1,248,955	1,401,347
Total Other Assets	<u>1,546,699</u>	<u>1,527,478</u>
Total Assets	<u>\$ 3,351,939</u>	<u>\$ 3,469,241</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Accrued wages	\$ 3,228	\$ 18,422
Accounts payable	32,759	12,624
Accrued interest	498	396
Sales tax payable	584	512
Payroll taxes payable	6,061	980
Accrued expenses	1,745	264
Deferred revenue		2,000
Current portion of notes payable		46,800
Total Current Liabilities	<u>44,875</u>	<u>81,998</u>
Long-Term Liabilities		
Notes payable, less current portion	<u>313,860</u>	<u>231,159</u>
Total Liabilities	<u>358,735</u>	<u>313,157</u>
Net Assets - Unrestricted - Operating	1,648,564	1,399,565
- Board Designated	82,659	129,459
- Temporary Restricted	13,026	225,713
- Permanently Restricted	1,248,955	1,401,347
Total Net Assets	<u>2,993,204</u>	<u>3,156,084</u>
Total Liabilities and Net Assets	<u>\$ 3,351,939</u>	<u>\$ 3,469,241</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, 2016**

(with comparative totals for May 31, 2015)

	Unrestricted	Temporary Restricted	Permanently Restricted	05/31/16 Total	05/31/15 Total
Operating Revenue					
City Contract	\$ 78,867	\$	\$	\$ 78,867	\$ 74,200
Adoptions	33,685			33,685	31,862
Redemptions	8,960			8,960	8,767
Impounding Service Fees	10,466			10,466	8,893
Boarding	658			658	573
Licensing Fees	15,310			15,310	17,326
Miscellaneous	45,899			45,899	42,613
Membership Dues	12,748			12,748	13,023
Total	206,593			206,593	197,257
Operating Expenses					
Program	737,001			737,001	709,175
General & Administration Expenses	147,364			147,364	134,029
Fundraising	41,494			41,494	38,609
Total	925,859			925,859	881,813
Operating Deficit	(719,266)			(719,266)	(684,556)
Public Support and Other Revenues					
Bequests	75,013			75,013	262,733
Contributions	277,645			277,645	304,502
Fund Raising Projects	353,775			353,775	301,945
Fund Raising Direct Expenses	(55,307)			(55,307)	(58,500)
Gain (loss) on beneficial interest in assets held by foundation	(11,529)			(11,529)	4,258
Gain (loss) on beneficial interest in trust			(84,199)	(84,199)	90,067
Miscellaneous income	378			378	93
Investment Income	584	26		610	910
Total Public Support	640,559	26	(84,199)	556,386	906,008
Change in Net Assets	(78,707)	26	(84,199)	(162,880)	221,452
Net Assets - Beginning of Year	1,529,024	225,713	1,401,347	3,156,084	2,934,632
Transfer: Contributions released from restrictions	212,713	(212,713)			
Kay Wilde Fund	68,193		(68,193)		
Net Assets - End of Year	\$ 1,731,223	\$ 13,026	\$ 1,248,955	\$ 2,993,204	\$ 3,156,084

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, 2016**

(with comparative totals for May 31, 2015)

<b>Cash Flows From Operating Activities</b>	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Change in Net Assets	\$ (162,880)	\$ 221,452
Adjustments to reconcile net increase in net assets to net cash provided by operating activities -		
Depreciation and amortization	58,135	58,419
Change in beneficial interest of community foundation	(171,613)	4,177
Change in beneficial interest in trust	152,392	(22,996)
(Increase) decrease in operating assets -		
Accounts receivable	4,585	(5,170)
(Decrease) increase in operating liabilities -		
Accounts payable	20,135	(14,663)
Accrued expenses	1,481	(103)
Sales tax payable	72	136
Payroll taxes payable	5,081	980
Accrued wages	(15,194)	1,136
Accrued interest	102	(150)
Deferred revenue	(2,000)	
Net cash (used) provided by operating activities	<u>(109,704)</u>	<u>243,218</u>
<b>Cash Flows From Investing Activities</b>		
Property and equipment purchase	<u>(91,812)</u>	<u></u>
<b>Cash Flows From Financing Activities</b>		
Net new loan	82,701	
Payments on notes	<u>(46,800)</u>	<u>(43,523)</u>
Net cash (used) provided by financing activities	<u>35,901</u>	<u>(43,523)</u>
Net Increase (Decrease) in Cash	(165,615)	199,695
Cash, Beginning of Year	<u>396,395</u>	<u>196,700</u>
Cash, End of Year	<u>\$ 230,780</u>	<u>\$ 396,395</u>
<b><u>Supplemental Information</u></b>		
Interest expense	<u>\$ 8,669</u>	<u>\$ 11,186</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, 2016**

(with comparative totals for May 31, 2015)

	Program	Management & General	Fund Raising	05/31/16 Total	05/31/15 Total
Compensation	\$ 356,160	\$ 108,146	\$ 32,874	\$ 497,180	\$ 488,252
Payroll taxes	32,960	10,008	3,042	46,010	35,921
Benefits	29,622	8,574	2,606	40,802	40,215
Professional fees		2,750	300	3,050	6,035
Supplies	86,430	1,539	156	88,125	71,491
Telephone	2,336	275	137	2,748	1,941
Office expense	3,457	186	74	3,717	8,711
Postage and shipping	2,861	337	168	3,366	3,434
Occupancy	38,859	2,067	413	41,339	44,641
Repairs and maintenance	21,261	1,131	226	22,618	10,465
Printing and publications	6,940	1,319	435	8,694	2,452
Vehicle	1,334	148		1,482	1,546
Conferences and meetings	3,476	400		3,876	6,729
Computer expense	10,852	3,005	282	14,139	10,088
Volunteers	340			340	504
Depreciation	54,647	2,907	581	58,135	58,419
Insurance	20,796	1,105	200	22,101	21,489
Dues and memberships	1,027	53		1,080	1,165
Animal food	6,592			6,592	3,714
Medical care - animals	38,927			38,927	38,746
Advertising and promotion	2,443			2,443	3,133
Property taxes	3,446	383		3,829	6,515
Credit Card and Ebay fees	4,043	449		4,492	4,238
Interest	7,802	867		8,669	11,186
Miscellaneous	390	1,715		2,105	783
TOTAL EXPENSES	<u>\$ 737,001</u>	<u>\$ 147,364</u>	<u>\$ 41,494</u>	<u>\$ 925,859</u>	<u>\$ 881,813</u>

See accompanying independent auditor's report.



# Oshkosh Area Humane Society, Inc.

## Notes to Financial Statements

May 31, 2016

### 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 2016 and 2015 was \$58,135 and \$58,419, 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, 2016**

**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, 2016**

**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, 2016</u>	<u>May 31, 2015</u>
Total beneficial interest in assets held by Community Foundation	<u>\$ 297,744</u>	<u>\$ 126,131</u>

Change in value of beneficial interest in assets held by Community Foundation consisted of the following at May 31, 2016 and May 31, 2015:

	<u>May 31, 2016</u>	<u>May 31, 2015</u>
Contributions	\$ 201,275	\$ 1,150
Investment income	3,375	1,818
Realized gains	3,642	5,820
Unrealized losses	(18,859)	(4,530)
Investment fees	(3,830)	(1,593)
Grants	<u>(13,990)</u>	<u>(6,842)</u>
Net gain (decrease) on beneficial interest	<u>\$ 171,613</u>	<u>\$ (4,177)</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, 2016. 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, 2016**

**Note 4 - Notes Payable**

Notes payable consisted of the following as of May 31, 2016:

The Society refinanced the note payable on April 15, 2016. The new loan was for \$326,160 with an interest rate of 3.78%. This is an interest only note due April 15, 2026. The interest rate is fixed until April 15, 2021. Interest is to be paid monthly on any outstanding loan balances.

Note Payable 5/31/2016	\$ 313,860
Less: Current Portion	<u>-0-</u>
Long-Term Portion	<u><u>\$ 313,860</u></u>

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

Net assets were Board-designated for the following purpose at May 31:

	<u>2016</u>	<u>2015</u>
Mortgage on Surgery Center Drive	<u>\$ 82,659</u>	<u>\$ 129,459</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 \$-0- at May 31, 2016.

**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 \$4,767 for the year-ended May 31, 2016 and \$5,456 for the year ended May 31, 2015.

**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, 2016**

#### **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 September 12, 2016, 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 2013.



**Oshkosh Area Humane Society, Inc.**

**Notes to Financial Statements**

**May 31, 2016**

**Note 11 - Restrictions on Assets**

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

	<u>2016</u>	<u>2015</u>
Unemployment deposit	\$ 13,026	\$ 13,000
Abused animal		<u>212,713</u>
Restrictions on Cash	<u>\$ 13,026</u>	<u>\$225,713</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, 2015, from which the summarized information was derived.