

LITTLE TRAVERSE BAY HUMANE SOCIETY  
FINANCIAL STATEMENTS  
December 31, 2012 and July 31, 2011

**LITTLE TRAVERSE BAY HUMANE SOCIETY  
FINANCIAL STATEMENTS  
Years Ended December 31, 2012 and July 31, 2011**

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May 22, 2013

Independent Auditors' Report

Board of Directors  
Little Traverse Bay Humane Society  
Harbor Springs, Michigan

We have audited the accompanying financial statements of Little Traverse Bay Humane Society (a nonprofit organization) as of December 31, 2012 and July 31, 2011, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 of 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 Little Traverse Bay Humane Society as of December 31, 2012 and July 31, 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Hill, Schroeder & Co.*

CERTIFIED PUBLIC ACCOUNTANTS  
Petoskey, Michigan

**LITTLE TRAVERSE BAY HUMANE SOCIETY  
STATEMENTS OF FINANCIAL POSITION  
December 31, 2012 and July 31, 2011**

	<u>December 31</u> 2012	<u>July 31</u> 2011
<b><u>Assets</u></b>		
Current assets:		
Cash and cash equivalents	\$ 1,335,745	\$ 1,421,203
Investments - unrestricted	409,303	207,793
Accounts receivable	1,993	672
Pledges receivable	-	6,050
Escrow deposit	-	5,000
Prepaid expenses	6,656	9,484
	<u>1,753,697</u>	<u>1,650,202</u>
Total current assets		
Property and equipment, net of accumulated depreciation of \$457,660 and \$383,427 respectively	<u>1,514,677</u>	<u>1,467,936</u>
Other assets:		
Curtis Endowment Fund:		
Cash and cash equivalents	194,547	7,405
Bequest receivable	-	130,000
Investments	337,851	375,034
Beneficial interest in assets held by Community Foundation	13,064	11,726
Beneficial interest in Clason perpetual trust	152,450	158,512
	<u>697,912</u>	<u>682,677</u>
Total other assets		
Total assets	<u>\$ 3,966,286</u>	<u>\$ 3,800,815</u>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 20,715	\$ 62,491
Accrued payroll and related expenses	5,693	16,931
	<u>26,408</u>	<u>79,422</u>
Total current liabilities		
Net assets:		
Unrestricted	3,180,754	2,970,892
Temporarily restricted	77,960	66,182
Permanently restricted	681,164	684,319
	<u>3,939,878</u>	<u>3,721,393</u>
Total net assets		
Total liabilities and net assets	<u>\$ 3,966,286</u>	<u>\$ 3,800,815</u>

**LITTLE TRAVERSE BAY HUMANE SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2012 and July 31, 2011**

<u>Unrestricted Net Assets</u>	December 31 2012	July 31 2011
Support and revenue:		
Contributions	\$ 353,768	\$ 251,087
Special events	253,811	248,030
Program service fees	198,580	187,442
Clason Trust income distribution	6,724	5,937
Interest and dividends, net of fees	3,523	5,977
Net gains (losses) on investments	82,136	13,238
	<u>898,542</u>	<u>711,711</u>
Total unrestricted support and revenue		
	898,542	711,711
Net assets released from restrictions	<u>107,483</u>	<u>105,568</u>
	1,006,025	817,279
Total unrestricted support, revenue and reclassifications		
	<u>1,006,025</u>	<u>817,279</u>
Expenses:		
Program services	588,567	537,192
Management and general	141,145	117,672
Fundraising	151,621	150,646
	<u>881,333</u>	<u>805,510</u>
Total expenses		
	881,333	805,510
Increase (decrease) in unrestricted net assets	<u>124,692</u>	<u>11,769</u>
	124,692	11,769
<u>Temporarily Restricted Net Assets</u>		
Contributions	123,863	100,913
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(107,483)</u>	<u>(105,568)</u>
	16,380	(4,655)
Increase (decrease) in temporarily restricted net assets		
	<u>16,380</u>	<u>(4,655)</u>
	16,380	(4,655)
<u>Permanently Restricted Net Assets</u>		
Curtis bequest	-	527,327
Net gains (losses) on investments	33,003	(13,162)
Change in value of Community Foundation endowment fund	1,688	1,544
Change in value of split-interest agreement	7,353	12,855
	<u>42,044</u>	<u>528,564</u>
Increase (decrease) in permanently restricted net assets		
	42,044	528,564
Increase (decrease) in net assets	183,116	535,678
	183,116	535,678
Net assets, beginning	<u>3,756,762</u>	<u>3,185,715</u>
Net assets, ending	<u>\$ 3,939,878</u>	<u>\$ 3,721,393</u>

See accompanying notes to financial statements.

**LITTLE TRAVERSE BAY HUMANE SOCIETY**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**Years Ended December 31, 2012 and July 31, 2011**

	December 31, 2012		
	Program Services	Supporting Services	
	Animal Shelter	Management and General	Fundraising
Salaries	\$ 285,127	\$ 80,126	\$ 64,318
Payroll taxes	27,845	7,932	6,046
Employee benefits	20,696	4,946	5,495
Accounting, auditing and legal fees	-	23,812	-
Office supplies	3,941	7,119	-
Telephone and internet	2,622	424	-
Postage and shipping	-	3,008	2,947
Bank and credit card charges	7,648	-	-
Occupancy	49,289	-	-
Printing and publications	-	-	13,558
Advertising	2,812	-	7
Supplies	-	-	9,629
Special event direct expenses	-	-	49,621
Conference and travel	2,011	-	-
Insurance	9,816	2,264	-
Veterinarians	101,275	-	-
Crematorium	3,963	-	-
Operating supplies	25,477	1,524	-
Miscellaneous	(974)	2,526	-
	541,548	133,681	151,621
Total expenses before depreciation	541,548	133,681	151,621
Depreciation	47,019	7,464	-
Total expenses	\$ 588,567	\$ 141,145	\$ 151,621

See accompanying notes to financial statements.

July 31, 2011

Program Services		Supporting Services		Totals	
Animal Shelter	Management and General	Fundraising	December 31, 2012	July 31, 2011	
\$ 257,167	\$ 74,303	\$ 35,874	\$ 429,571	\$ 367,344	
26,093	5,685	2,745	41,823	34,523	
12,537	1,299	4,923	31,137	18,759	
-	21,262	-	23,812	21,262	
3,031	5,475	-	11,060	8,506	
2,869	-	-	3,046	2,869	
-	1,584	3,764	5,955	5,348	
7,322	-	-	7,648	7,322	
49,430	-	-	49,289	49,430	
-	-	27,724	13,558	27,724	
2,524	-	689	2,819	3,213	
-	-	8,187	9,629	8,187	
-	-	66,740	49,621	66,740	
3,483	-	-	2,011	3,483	
9,353	1,351	-	12,080	10,704	
87,022	-	-	101,275	87,022	
1,610	-	-	3,963	1,610	
20,557	-	-	27,001	20,557	
11,903	-	-	1,552	11,903	
494,901	110,959	150,646	826,850	756,506	
42,291	6,713	-	54,483	49,004	
<u>\$ 537,192</u>	<u>\$ 117,672</u>	<u>\$ 150,646</u>	<u>\$ 881,333</u>	<u>\$ 805,510</u>	



**LITTLE TRAVERSE BAY HUMANE SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2012 and July 31, 2011**

	December 31 2012	July 31 2011
	<u>                    </u>	<u>                    </u>
Operating activities:		
Increase (decrease) in net assets	\$ 183,116	\$ 535,678
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,483	49,004
(Increase) decrease in value of beneficial interest in assets held by others	(8,817)	(14,483)
Net unrealized losses (gains) on investments	(76,598)	(2,717)
Net realized losses (gains) on investments	(38,544)	-
Non-cash bequest of securities	-	(340,029)
(Increase) decrease in operating assets:		
Accounts receivable	(894)	98
Pledges receivable	-	28,450
Escrow deposit	-	(5,000)
Prepaid expenses	210	(1,147)
Bequest receivable	6,000	(130,000)
Increase (decrease) in operating liabilities:		
Accounts payable	2,048	34,168
Payroll taxes and related	3,835	15,313
Deferred revenue	-	(22,845)
	<u>                    </u>	<u>                    </u>
Net cash provided by operating activities	124,839	146,490
	<u>                    </u>	<u>                    </u>
Cash flows from investing activities:		
Purchase of investments	(418,027)	(686,898)
Proceeds from redemption of investments	519,771	454,329
Acquisition of fixed assets	(120,973)	(130,862)
	<u>                    </u>	<u>                    </u>
Net cash provided by investing activities	(19,229)	(363,431)
	<u>                    </u>	<u>                    </u>
Net increase (decrease) in cash	105,610	(216,941)
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents, beginning	1,424,682	1,645,549
	<u>                    </u>	<u>                    </u>
Cash and cash equivalents, ending	<u>\$ 1,530,292</u>	<u>\$ 1,428,608</u>

**LITTLE TRAVERSE BAY HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and July 31 2011**

**NOTE 1: ORGANIZATION AND PURPOSE**

Little Traverse Bay Humane Society is a not-for-profit corporation organized on a membership basis. Members are those that contribute \$30 or more during the year, without making a specific designation.

Our mission is to offer a warm shelter, veterinary care, and personal attention to all the animals while they are in our care and proactive methods in controlling pet overpopulation. Little Traverse Bay Humane Society has committed ourselves to educate the public on the humane treatment of companion animals.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation: The financial statements of the Little Traverse Bay Humane Society are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, whether by actions of the Little Traverse Bay Humane Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets required by donor-imposed stipulations to be maintained in perpetuity.

Fiscal Year to Calendar Year: During 2011, Little Traverse Bay Humane Society opted to change its financial reporting from a fiscal year ending July 31<sup>st</sup> to the calendar year ending December 31<sup>st</sup>. The summer is an especially busy time at the Little Traverse Bay Humane Society. A calendar year matches payroll, donor and other reporting better. For comparative purposes the full year ended July 31, 2011 has been presented in the report rather than the short period from August 1, 2011 through December 31, 2011.

Contributions: Contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions of non-cash assets are recorded at their fair values on the day received.

Donated Services: A substantial number of volunteers including board members have donated significant amounts of their time in the Organization's behalf. The donated services have not been reflected in the accompanying financial statements since no objective basis is available to measure the value of such services.

Federal Income Taxes: Little Traverse Bay Humane Society is exempt from federal income taxes under Code Section 501(c)(3). It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50 percent charitable contributions deduction for individual donors. No provisions for income taxes have been provided in these financial statements.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Cash and Cash Equivalents: For purposes of the statements of cash flows, Little Traverse Bay Humane Society considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments: Investments are composed of equity securities and are carried at fair value.

Interest and Dividends: Interest and dividends are reported net of investment advisor fees of \$15,027 and \$6,982 for the years ended December 31, 2012 and July 31, 2011, respectively.

Equipment: Fixed assets acquired by purchase or construction are recorded at acquisition cost. Donated assets are recorded at their estimated market value on date of donation. All assets are depreciated over their estimated useful life using the straight-line method. Asset groups and their estimated useful lives are as follows:

Furnishings and equipment	5 -15 years
Building	40 years
Site improvements	20 years
Vehicles	5 years

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.

Functional Expenses: Functional expenses have been allocated based on estimates made by the Organization's management. Included in the allocation are joint costs allocated to fundraising and membership development.

Fair Value of Financial Instruments: Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. The Organization's significant financial instruments are cash, accounts receivable, marketable equity securities, and other short-term assets and liabilities. For these financial instruments, carrying values approximate fair value.

Generally, for all securities, loans, hybrid financial instruments, private equity investments, and long-term debt, fair value is determined by reference to quoted market prices and other relevant information generated by market transactions. When the fair value of assets and liabilities cannot be determined in this matter, fair value is estimated using the present value of expected cash flows.

**NOTE 3: CASH**

At year-end, the carrying amount of Little Traverse Bay Humane Society's deposits was \$1,530,292 and the bank balance was \$1,533,244. During most of the fiscal year, Little Traverse Bay Humane Society's cash in bank balances were within federally insured limits. At December 31, 2012, Little Traverse Bay Humane Society's uninsured cash balances totaled \$175,475.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 4: INVESTMENTS**

Investments are stated at fair value based on quoted prices in active markets (all level 1 measurements) and are summarized as follows as of December 31, 2012:

	December 31, 2012			July 31, 2011		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Stocks:						
Unrestricted	\$ 375,731	\$ 409,303	\$ 33,572	\$ 196,551	\$ 207,793	\$ 11,242
Curtis Endowment Fund	304,846	337,851	33,005	383,379	375,034	(8,345)
	<u>\$ 680,577</u>	<u>\$ 747,154</u>	<u>\$ 66,577</u>	<u>\$ 579,930</u>	<u>\$ 582,827</u>	<u>\$ 2,897</u>

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	December 31, 2012	July 31, 2011
Land	\$ 378,531	\$ 288,413
Building	1,262,905	1,262,905
Construction in progress- Intake facility	2,776	-
Site improvements	136,033	136,033
Furnishings and equipment	165,431	157,112
Vehicles	26,661	6,900
	<u>1,972,337</u>	<u>1,851,363</u>
Less: accumulated depreciation	<u>(457,660)</u>	<u>(383,427)</u>
Total	<u>\$ 1,514,677</u>	<u>\$ 1,467,936</u>

The Organization purchased property and have started the planning phases of building an Intake Facility. There are no construction commitments at this time.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 6: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of contributions restricted for the following purposes:

	Balance January 1, 2012	Additions	Reductions	Balance December 31, 2012
Building Fund	\$ 5,536	\$ 1,950	\$ 907	\$ 6,579
Spay/Neuter Fund	-	18,228	18,228	-
Michael G. Phillips Fund	16,072	18,576	17,990	16,658
Harris Spay/Neuter Fund	-	36,980	36,355	625
Advertising	90	-	-	90
Angel Program	6,345	8,832	3,271	11,906
Rabies Fund	6,432	8,077	6,543	7,966
M & M Fund	1,148	2,715	3,863	-
Medical Room	1,347	-	-	1,347
Miscellaneous	178	-	169	9
Ruff To Ready	8,049	810	5,903	2,956
Pet Smart Pit Stop	-	20,000	-	20,000
Pit Stop Fund	3,834	6,555	10,389	-
Mutts with Manners	3,525	1,140	1,997	2,668
Frey Garden Fund	9,024	-	1,868	7,156
	<u>\$ 61,580</u>	<u>\$ 123,863</u>	<u>\$ 107,483</u>	<u>\$ 77,960</u>

**NOTE 7: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets of \$681,164 and \$684,319 for the years ended December 31, 2012 and July 31 2011, respectively consist of amounts held in perpetuity. The Organization was the beneficiary of a bequest from the Martha A. Curtis Trust. The income from this endowment, as determined by the Little Traverse Bay Humane Society's governing body, consists of interest, dividends, and realized capital gains, is to be available for any purpose deemed appropriate by the governing body thereof.

The Organization's split-interest share in the Sonja Clason Charitable Trust was valued at \$152,450 at December 31, 2012. The greater of the net trust income or an amount equal to five percent of the net fair market value of the trust assets to be paid annually to the qualified tax-exempt charitable beneficiaries.

Additionally, there is \$13,064 at December 31, 2012 in the Animal Security fund held by Petoskey-Harbor Springs Community Foundation. The principal of the fund shall remain intact and is not subject to distribution. The investment income can be distributed annually. Undistributed income is reinvested in the Fund.

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE 8: SPECIAL EVENTS**

Special events revenue and expense consisted of the following for the years ended:

	December 31, 2012				July 31, 2011				
	Howl at the Moon	Cause for Paws	Other Events	Total	Howl at the Moon	Big Dog	Cause for Paws	Other Events	Total
Revenue	\$ 148,986	\$ 72,075	\$ 32,750	\$ 253,811	\$ 88,513	\$ 63,044	\$ 48,100	\$ 48,373	\$ 248,030
Direct expenses	31,202	16,214	2,205	49,621	20,971	29,457	12,894	3,418	66,740
Net	<u>\$ 117,784</u>	<u>\$ 55,861</u>	<u>\$ 30,545</u>	<u>\$ 204,190</u>	<u>\$ 67,542</u>	<u>\$ 33,587</u>	<u>\$ 35,206</u>	<u>\$ 44,955</u>	<u>\$ 181,290</u>

The net revenue from the various special events is unrestricted and can be used for the various programs and operating expenses.

**NOTE 9: EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through May 22, 2013, the date which the financial statements were available to be issued.