

**LITTLE TRAVERSE BAY HUMANE SOCIETY  
FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

LITTLE TRAVERSE BAY HUMANE SOCIETY  
FINANCIAL STATEMENTS  
December 31, 2014 and 2013

Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b>	1-2
<b>Financial Statements:</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
 Notes to Financial Statements	 7-10

June 1, 2015

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) which comprise the statements of financial position as of December 31, 2014 and 2013, 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, 2014 and 2013, 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, 2014 and 2013

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 1,997,181	\$ 1,549,561
Investments - unrestricted	601,377	485,921
Accounts receivable	1,320	181
Bequest receivable	150,000	-
Staff receivable	5,803	7,635
Prepaid expenses	6,317	6,549
	<hr/>	<hr/>
Total current assets	2,761,998	2,049,847
	<hr/>	<hr/>
Property and equipment, net of accumulated depreciation of \$532,461 and \$483,325 respectively	1,486,396	1,491,621
	<hr/>	<hr/>
Other assets:		
Curtis Endowment Fund:		
Cash and cash equivalents	122,233	230,933
Investments	426,796	394,873
Beneficial interest in assets held by Community Foundation	16,234	16,169
Beneficial interest in Clason perpetual trust	166,654	166,688
	<hr/>	<hr/>
Total other assets	731,917	808,663
	<hr/>	<hr/>
Total assets	<u>\$ 4,980,311</u>	<u>\$ 4,350,131</u>
	<hr/>	<hr/>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 23,694	\$ 26,407
Accrued payroll and related expenses	6,868	7,110
Deferred revenue	7,500	-
	<hr/>	<hr/>
Total current liabilities	38,062	33,517
	<hr/>	<hr/>
Net assets:		
Unrestricted:		
Designated for endowment	1,135,796	1,057,259
Undesignated	3,035,340	2,434,165
Temporarily restricted	63,070	68,585
Permanently restricted	708,043	756,605
	<hr/>	<hr/>
Total net assets	4,942,249	4,316,614
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 4,980,311</u>	<u>\$ 4,350,131</u>
	<hr/>	<hr/>

**LITTLE TRAVERSE BAY HUMANE SOCIETY**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended December 31, 2014 and 2013**

<u>Unrestricted Net Assets</u>	<u>2014</u>	<u>2013</u>
Support and revenue:		
Contributions	\$ 912,397	\$ 476,328
Special events	269,552	242,193
Program service fees	277,616	249,623
Interest and dividends, net of fees	6,783	(1,694)
Net gains (losses) on investments	26,218	138,645
	<u>1,492,566</u>	<u>1,105,095</u>
Total unrestricted support and revenue		
Net assets released from restrictions	<u>137,212</u>	<u>93,685</u>
	<u>1,629,778</u>	<u>1,198,780</u>
Expenses:		
Program services	649,733	593,149
Management and general	141,524	149,562
Fundraising	158,809	145,399
	<u>950,066</u>	<u>888,110</u>
Total expenses		
Increase (decrease) in unrestricted net assets	<u>679,712</u>	<u>310,670</u>
<u>Temporarily Restricted Net Assets</u>		
Contributions	83,104	84,310
Net assets released from restrictions:		
Restrictions satisfied by payments	<u>(88,619)</u>	<u>(93,685)</u>
	<u>(5,515)</u>	<u>(9,375)</u>
Increase (decrease) in temporarily restricted net assets		
<u>Permanently Restricted Net Assets</u>		
Net unrealized gains (losses) on investments	-	58,098
Change in restrictions Curtis endowment fund	(48,593)	-
Change in value of Community Foundation endowment fund	65	3,105
Change in value of Clason split-interest agreement	<u>(34)</u>	<u>14,238</u>
	<u>(48,562)</u>	<u>75,441</u>
Increase (decrease) in permanently restricted net assets		
Increase (decrease) in net assets	625,635	376,736
Net assets, beginning	<u>4,316,614</u>	<u>3,939,878</u>
Net assets, ending	<u>\$ 4,942,249</u>	<u>\$ 4,316,614</u>

See accompanying notes to financial statements.

**LITTLE TRAVERSE BAY HUMANE SOCIETY  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years Ended December 31, 2014 and 2013**

	2014			2013			Totals	
	Program Services	Supporting Services		Program Services	Supporting Services		2014	2013
	Animal Shelter	Management and General	Fundraising	Animal Shelter	Management and General	Fundraising		
Salaries	\$ 317,183	\$ 68,778	\$ 50,152	\$ 276,605	\$ 76,096	\$ 59,597	\$ 436,113	\$ 412,298
Payroll taxes	29,353	6,025	4,446	28,037	7,809	6,024	39,824	41,870
Employee benefits	21,841	4,133	6,378	23,615	3,943	5,892	32,352	33,450
Accounting, auditing and legal fees	-	21,202	-	-	21,645	-	21,202	21,645
Office supplies	3,486	5,422	-	3,598	6,515	-	8,908	10,113
Telephone and internet	4,115	432	-	3,972	458	-	4,547	4,430
Postage and shipping	570	1,665	4,594	193	2,223	2,869	6,829	5,285
Bank and credit card charges	-	10,394	-	-	9,644	-	10,394	9,644
Occupancy	48,906	6,432	-	41,739	6,174	-	55,338	47,913
Printing and publications	-	-	20,058	-	-	12,155	20,058	12,155
Advertising	3,392	2,435	-	2,607	-	1,370	5,827	3,977
Supplies	-	-	11,582	-	-	3,274	11,582	3,274
Special event direct expenses	-	-	59,392	-	-	52,793	59,392	52,793
Vehicle expenses	2,840	-	-	5,053	-	-	2,840	5,053
Insurance	11,747	2,984	1,851	11,012	2,501	1,240	16,582	14,753
Veterinarians	124,873	-	-	112,345	-	-	124,873	112,345
Crematorium	-	-	-	1,679	-	-	-	1,679
Operating supplies	38,159	2,589	-	34,476	1,756	-	40,748	36,232
Miscellaneous	863	2,301	356	782	3,268	185	3,520	4,235
<b>Total expenses before depreciation</b>	<b>607,328</b>	<b>134,792</b>	<b>158,809</b>	<b>545,713</b>	<b>142,032</b>	<b>145,399</b>	<b>900,929</b>	<b>833,144</b>
Depreciation	42,405	6,732	-	47,436	7,530	-	49,137	54,966
<b>Total expenses</b>	<b>\$ 649,733</b>	<b>\$ 141,524</b>	<b>\$ 158,809</b>	<b>\$ 593,149</b>	<b>\$ 149,562</b>	<b>\$ 145,399</b>	<b>\$ 950,066</b>	<b>\$ 888,110</b>

See accompanying notes to financial statements.

**LITTLE TRAVERSE BAY HUMANE SOCIETY**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended December 31, 2014 and 2013**

	2014	2013
Operating activities:		
Increase (decrease) in net assets	\$ 625,635	\$ 376,736
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	49,137	54,966
Loss on disposal of equipment	-	942
(Increase) decrease in value of beneficial interest in assets held by others	(31)	(17,343)
Net unrealized losses (gains) on investments	24,541	(38,520)
Net realized losses (gains) on investments	(48,945)	(163,994)
(Increase) decrease in operating assets:		
Accounts receivable	(1,139)	1,812
Bequest receivable	(150,000)	-
Staff receivable	1,832	(7,635)
Prepaid expenses	232	107
Increase (decrease) in operating liabilities:		
Accounts payable	(2,713)	5,692
Payroll taxes and related	(242)	1,417
Deferred revenue	7,500	-
	<u>505,807</u>	<u>214,180</u>
Cash flows from investing activities:		
Purchase of investments	(910,113)	(993,829)
Proceeds from redemption of investments	787,138	1,062,703
Acquisition of fixed assets	(43,912)	(32,852)
	<u>(166,887)</u>	<u>36,022</u>
Net increase (decrease) in cash	338,920	250,202
Cash and cash equivalents, beginning	<u>1,780,494</u>	<u>1,530,292</u>
Cash and cash equivalents, ending	<u>\$ 2,119,414</u>	<u>\$ 1,780,494</u>



**LITTLE TRAVERSE BAY HUMANE SOCIETY  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2014 and 2013**

**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.

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.

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 \$14,490 and \$17,138 for the years ended December 31, 2014 and 2013, respectively.

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

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

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 \$2,119,414 and the bank balance was \$2,106,168. The difference in amounts is attributable to deposits in transit. At December 31, 2014, Little Traverse Bay Humane Society's uninsured cash balances totaled \$533.

**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:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Unrestricted:				
Equities	\$ 487,333	\$ 511,706	\$ 426,534	\$ 485,921
Mutual Funds	98,054	89,671	-	-
Curtis Endowment Fund:				
Equities	361,520	426,796	348,452	394,873
	<u>\$ 946,907</u>	<u>\$ 1,028,173</u>	<u>\$ 774,986</u>	<u>\$ 880,794</u>

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	2014	2013
Land	\$ 384,823	\$ 384,823
Building	1,267,457	1,267,457
Construction in progress - Expansion of facilities	13,276	2,776
Site improvements	181,332	154,119
Furnishings and equipment	145,308	139,110
Vehicles	26,661	26,661
	2,018,857	1,974,946
Less: accumulated depreciation	(532,461)	(483,325)
Total	\$ 1,486,396	\$ 1,491,621

The Organization purchased property and have started the planning phases of expansion of facilities. There are no construction commitments at this time.

**NOTE 6: DESIGNATED FOR ENDOWMENT NET ASSETS**

The Board of Directors established an "Endowment Fund" to provide financial support for operating and capital improvement purposes. In addition to the Martha Curtis bequest, which is permanently restricted (See Note 8), the Board designated a portion of unrestricted net assets as endowment funds. The unrestricted net assets designated for endowments was \$1,135,796 and \$1,057,259 at December 31, 2014 and 2013, respectively.

**NOTE 7: TEMPORARILY RESTRICTED NET ASSETS**

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

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014
Building Fund	\$ 7,637	\$ 3,500	\$ 620	\$ 10,517
Michael G. Phillips Fund	17,031	22,007	21,387	17,651
Angel Program	18,324	1,800	5,138	14,986
Harris Spay/Neuter Fund	1,155	37,267	37,557	865
Medical Room	1,305	-	-	1,305
Ruff To Ready	5,496	11,325	7,050	9,771
Pet Smart Pit Stop	12,215	-	10,560	1,655
Pit Stop Fund	262	515	320	457
Adopt-a-thon	9	-	9	-
Mutts with Manners	-	5,040	3,360	1,680
Garden Fund	5,151	-	2,141	3,010
Molly's Transit Fund	-	650	477	173
Vet Clinic Campaign Fund	-	1,000	-	1,000
	\$ 68,585	\$ 83,104	\$ 88,619	\$ 63,070

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**NOTE 8: PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets of \$708,043 and \$756,605 for the years ended December 31, 2014 and 2013, respectively consist of amounts held in perpetuity.

The Organization was the beneficiary of a bequest of \$525,155 from the Martha A. Curtis Trust. The income from this endowment as determined by the Little Traverse Bay Humane Society's governing body, now consists of interest, dividends, realized and unrealized capital gains, is to be available for any purpose deemed appropriate by the governing body thereof. For the year ended December 31, 2013 this restricted endowment also included unrealized gains for a total of \$573,748. This definition of endowment income was changed during 2014 to mirror investment policy definitions.

The Organization's split-interest share in the Sonja Clason Charitable Trust was valued at \$166,654 and \$166,688 at December 31, 2014 and 2013, respectively. 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 was \$16,234 and \$16,169 at December 31, 2014 and 2013, respectively 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.

**NOTE 9: SPECIAL EVENTS**

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

	December 31, 2014				December 31, 2013			
	Howl at the Moon	Cause for Paws	Other Events	Total	Howl at the Moon	Cause for Paws	Other Events	Total
Revenue	\$ 171,707	\$ 47,350	\$ 50,495	\$ 269,552	\$ 155,054	\$ 63,175	\$ 23,964	\$ 242,193
Direct expenses	41,497	16,840	1,055	59,392	32,737	18,058	1,998	52,793
Net	<u>\$ 130,210</u>	<u>\$ 30,510</u>	<u>\$ 49,440</u>	<u>\$ 210,160</u>	<u>\$ 122,317</u>	<u>\$ 45,117</u>	<u>\$ 21,966</u>	<u>\$ 189,400</u>

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

**NOTE 10: EVALUATION OF SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events through June 1, 2015, the date which the financial statements were available to be issued.