

**LITTLE TRAVERSE BAY HUMANE SOCIETY
FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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FINANCIAL STATEMENTS
December 31, 2013 and 2012

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May 12, 2014

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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 1,549,561	\$ 1,335,745
Investments - unrestricted	485,921	409,303
Accounts receivable	181	1,993
Staff receivable	7,635	-
Prepaid expenses	6,549	6,656
	<u>2,049,847</u>	<u>1,753,697</u>
Property and equipment, net of accumulated depreciation of \$483,325 and \$457,660 respectively	<u>1,491,621</u>	<u>1,514,677</u>
Other assets:		
Curtis Endowment Fund:		
Cash and cash equivalents	230,933	194,547
Investments	394,873	337,851
Beneficial interest in assets held by Community Foundation	16,169	13,064
Beneficial interest in Clason perpetual trust	166,688	152,450
	<u>808,663</u>	<u>697,912</u>
Total other assets	<u>808,663</u>	<u>697,912</u>
Total assets	<u>\$ 4,350,131</u>	<u>\$ 3,966,286</u>
 <u>Liabilities and Net Assets</u> 		
Current liabilities:		
Accounts payable	\$ 26,407	\$ 20,715
Accrued payroll and related expenses	7,110	5,693
	<u>33,517</u>	<u>26,408</u>
Total current liabilities	<u>33,517</u>	<u>26,408</u>
Net assets:		
Unrestricted:		
Designated for endowment	1,057,259	-
Undesignated	2,434,165	3,180,754
Temporarily restricted	68,585	77,960
Permanently restricted	756,605	681,164
	<u>4,316,614</u>	<u>3,939,878</u>
Total net assets	<u>4,316,614</u>	<u>3,939,878</u>
Total liabilities and net assets	<u>\$ 4,350,131</u>	<u>\$ 3,966,286</u>

LITTLE TRAVERSE BAY HUMANE SOCIETY
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

<u>Unrestricted Net Assets</u>	<u>2013</u>	<u>2012</u>
Support and revenue:		
Contributions	\$ 476,328	\$ 360,492
Special events	242,193	253,811
Program service fees	249,623	198,580
Interest and dividends, net of fees	(1,694)	3,523
Net gains (losses) on investments	138,645	82,136
	<hr/>	<hr/>
Total unrestricted support and revenue	1,105,095	898,542
Net assets released from restrictions	93,685	107,483
	<hr/>	<hr/>
Total unrestricted support, revenue and reclassifications	1,198,780	1,006,025
Expenses:		
Program services	593,149	574,443
Management and general	149,562	155,269
Fundraising	145,399	151,621
	<hr/>	<hr/>
Total expenses	888,110	881,333
Increase (decrease) in unrestricted net assets	310,670	124,692
	<hr/>	<hr/>
<u>Temporarily Restricted Net Assets</u>		
Contributions	84,310	123,863
Net assets released from restrictions:		
Restrictions satisfied by payments	(93,685)	(107,483)
	<hr/>	<hr/>
Increase (decrease) in temporarily restricted net assets	(9,375)	16,380
	<hr/>	<hr/>
<u>Permanently Restricted Net Assets</u>		
Net unrealized gains (losses) on investments	58,098	33,003
Change in value of Community Foundation endowment fund	3,105	1,688
Change in value of split-interest agreement	14,238	7,353
	<hr/>	<hr/>
Increase (decrease) in permanently restricted net assets	75,441	42,044
Increase (decrease) in net assets	376,736	183,116
Net assets, beginning	3,939,878	3,756,762
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Net assets, ending	\$ 4,316,614	\$ 3,939,878
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See accompanying notes to financial statements.

LITTLE TRAVERSE BAY HUMANE SOCIETY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended December 31, 2013 and 2012

	2013		
	Program Services	Supporting Services	
	Animal Shelter	Management and General	Fundraising
Salaries	\$ 276,605	\$ 76,096	\$ 59,597
Payroll taxes	28,037	7,809	6,024
Employee benefits	23,615	3,943	5,892
Accounting, auditing and legal fees	-	21,645	-
Office supplies	3,598	6,515	-
Telephone and internet	3,972	458	-
Postage and shipping	193	2,223	2,869
Bank and credit card charges	-	9,644	-
Occupancy	41,739	6,174	-
Printing and publications	-	-	12,155
Advertising	2,607	-	1,370
Supplies	-	-	3,274
Special event direct expenses	-	-	52,793
Vehicle expenses	5,053	-	-
Insurance	11,012	2,501	1,240
Veterinarians	112,345	-	-
Crematorium	1,679	-	-
Operating supplies	34,476	1,756	-
Miscellaneous	782	3,268	185
	545,713	142,032	145,399
Total expenses before depreciation	545,713	142,032	145,399
Depreciation	47,436	7,530	-
Total expenses	\$ 593,149	\$ 149,562	\$ 145,399

See accompanying notes to financial statements.

2012

Program Services		Supporting Services		Totals	
Animal Shelter	Management and General	Fundraising	2013	2012	
\$ 285,127	\$ 80,126	\$ 64,318	\$ 412,298	\$ 429,571	
27,845	7,932	6,046	41,870	41,823	
20,696	4,946	5,495	33,450	31,137	
-	23,812	-	21,645	23,812	
3,941	7,119	-	10,113	11,060	
2,622	424	-	4,430	3,046	
-	3,008	2,947	5,285	5,955	
-	7,648	-	9,644	7,648	
42,813	6,476	-	47,913	49,289	
-	-	13,558	12,155	13,558	
2,812	-	7	3,977	2,819	
-	-	9,629	3,274	9,629	
-	-	49,621	52,793	49,621	
2,011	-	-	5,053	2,011	
9,816	2,264	-	14,753	12,080	
101,275	-	-	112,345	101,275	
3,963	-	-	1,679	3,963	
25,477	1,524	-	36,232	27,001	
(974)	2,526	-	4,235	1,552	
527,424	147,805	151,621	833,144	826,850	
47,019	7,464	-	54,966	54,483	
<u>\$ 574,443</u>	<u>\$ 155,269</u>	<u>\$ 151,621</u>	<u>\$ 888,110</u>	<u>\$ 881,333</u>	

LITTLE TRAVERSE BAY HUMANE SOCIETY
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Operating activities:		
Increase (decrease) in net assets	\$ 376,736	\$ 183,116
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	54,966	54,483
Loss on disposal of equipment	942	-
(Increase) decrease in value of beneficial interest in assets held by others	(17,343)	(8,817)
Net unrealized losses (gains) on investments	(38,520)	(76,598)
Net realized losses (gains) on investments	(163,994)	(38,544)
(Increase) decrease in operating assets:		
Accounts receivable	1,812	(894)
Staff receivable	(7,635)	-
Prepaid expenses	107	210
Bequest receivable	-	6,000
Increase (decrease) in operating liabilities:		
Accounts payable	5,692	2,048
Payroll taxes and related	1,417	3,835
	<u>214,180</u>	<u>124,839</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(993,829)	(418,027)
Proceeds from redemption of investments	1,062,703	519,771
Acquisition of fixed assets	(32,852)	(120,973)
	<u>36,022</u>	<u>(19,229)</u>
Net cash provided by investing activities		
Net increase (decrease) in cash	250,202	105,610
Cash and cash equivalents, beginning	<u>1,530,292</u>	<u>1,424,682</u>
Cash and cash equivalents, ending	<u>\$ 1,780,494</u>	<u>\$ 1,530,292</u>

**LITTLE TRAVERSE BAY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS
December 31, 2013 and 2012**

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 \$17,138 and \$15,027 for the years ended December 31, 2013 and 2012, 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 \$1,780,494 and the bank balance was \$1,771,054. At December 31, 2013, Little Traverse Bay Humane Society's uninsured cash balances totaled \$28,088.

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:

	2013			2012		
	Cost	Fair Value	Unrealized Appreciation (Depreciation)	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Corporate Stocks:						
Unrestricted	\$ 426,534	\$ 485,921	\$ 59,387	\$ 375,731	\$ 409,303	\$ 33,572
Curtis Endowment Fund	348,452	394,873	46,421	304,846	337,851	33,005
	<u>\$ 774,986</u>	<u>\$ 880,794</u>	<u>\$ 105,808</u>	<u>\$ 680,577</u>	<u>\$ 747,154</u>	<u>\$ 66,577</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 384,823	\$ 378,531
Building	1,267,457	1,262,905
Construction in progress - Expansion of facilities	2,776	2,776
Site improvements	154,119	136,033
Furnishings and equipment	139,110	165,431
Vehicles	<u>26,661</u>	<u>26,661</u>
	1,974,946	1,972,337
Less: accumulated depreciation	<u>(483,325)</u>	<u>(457,660)</u>
Total	<u>\$ 1,491,621</u>	<u>\$ 1,514,677</u>

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 \$1,057,259 and \$-0- at December 31, 2013 and 2012, respectively.

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

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

	Balance January 1, <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	Balance December 31, <u>2013</u>
Building Fund	\$ 6,579	\$ 1,625	\$ 567	\$ 7,637
Michael G. Phillips Fund	16,658	14,613	14,240	17,031
Angel Program	11,906	10,605	4,187	18,324
Harris Spay/Neuter Fund	625	43,325	42,795	1,155
Advertising	90	-	90	-
Medical Room	1,347	-	42	1,305
Ruff To Ready	2,956	8,880	6,340	5,496
Pet Smart Pit Stop	20,000	-	7,785	12,215
Pit Stop Fund	-	5,112	4,850	262
Adopt-a-thon	9	-	-	9
Mutts with Manners	2,668	150	2,818	-
Garden Fund	7,156	-	2,005	5,151
Rabies Fund	<u>7,966</u>	<u>-</u>	<u>7,966</u>	<u>-</u>
	<u>\$ 77,960</u>	<u>\$ 84,310</u>	<u>\$ 93,685</u>	<u>\$ 68,585</u>

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8: PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets of \$756,605 and \$681,164 for the years ended December 31, 2013 and 2012, respectively consist of amounts held in perpetuity. The Organization was the beneficiary of a bequest of \$527,327 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. In addition to the original bequest of \$527,327 there is \$46,421 in unrealized gains considered permanently restricted at December 31, 2013.

The Organization's split-interest share in the Sonja Clason Charitable Trust was valued at \$166,688 and \$152,450 at December 31, 2013 and 2012, 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 \$16,169 and \$13,064 at December 31, 2013 and 2012, 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, 2013				December 31, 2012			
	Howl at the Moon	Cause for Paws	Other Events	Total	Howl at the Moon	Cause for Paws	Other Events	Total
Revenue	\$ 155,054	\$ 63,175	\$ 23,964	\$ 242,193	\$ 148,986	\$ 72,075	\$ 32,750	\$ 253,811
Direct expenses	32,737	18,058	1,998	52,793	31,202	16,214	2,205	49,621
Net	<u>\$ 122,317</u>	<u>\$ 45,117</u>	<u>\$ 21,966</u>	<u>\$ 189,400</u>	<u>\$ 117,784</u>	<u>\$ 55,861</u>	<u>\$ 30,545</u>	<u>\$ 204,190</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 May 12, 2014, the date which the financial statements were available to be issued.