

Audited Financial Statements

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

May 31, 2009

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**MAKELA, TOUTANT, HILL & NARDI, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

201 West Bluff Street  
Marquette, Michigan 49855

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American Institute of CPA's  
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### **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Marquette County Humane Society, Inc.  
Negaunee, Michigan

We have audited the accompanying statements of financial position of the Marquette County Humane Society, Inc., (Society) as of May 31, 2009 and 2008, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Marquette County Humane Society, Inc., as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles

*Makela, Toutant, Hill + Nardi, P.C.*

August 31, 2009



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***Our goal is to help you meet yours!***

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STATEMENTS OF FINANCIAL POSITION

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	May 31	
	2009	2008
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 27,769	\$ 60,773
Accounts receivable	3,080	3,031
Inventory		50
Bequest receivable	65,872	
Pledges receivable, current portion	5,750	
Other current assets		1,045
TOTAL CURRENT ASSETS	<u>102,471</u>	<u>64,899</u>
<b>OTHER ASSETS</b>		
Pledges receivable, net of current portion	5,241	
Investments	83,739	114,596
Beneficial interest in assets held by community foundation	73,602	91,518
	<u>162,582</u>	<u>206,114</u>
<b>PROPERTY, PLANT, AND EQUIPMENT</b>		
Land	9,800	9,800
Buildings and improvements	176,958	176,958
Vehicles	21,643	21,643
Office and kennel equipment	12,678	12,678
	<u>221,079</u>	<u>221,079</u>
Less accumulated depreciation	166,660	156,278
TOTAL PROPERTY, PLANT, AND EQUIPMENT	<u>54,419</u>	<u>64,801</u>
TOTAL ASSETS	<u>\$ 319,472</u>	<u>\$ 335,814</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 26,620	\$ 34,029
Accrued payroll and payroll taxes	6,478	5,532
Accrued benefits	3,790	5,355
Line of credit	29,918	26,095
TOTAL CURRENT LIABILITIES	<u>66,806</u>	<u>71,011</u>
<b>NET ASSETS</b>		
Unrestricted	11,427	29,735
Temporarily restricted	16,358	17,450
Permanently restricted	224,881	217,618
TOTAL NET ASSETS	<u>252,666</u>	<u>264,803</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 319,472</u>	<u>\$ 335,814</u>

See notes to the financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	Year Ended May 31, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Shelter revenue	\$ 99,160			\$ 99,160
Direct public support	135,611	\$ 13,760	\$ 4,686	154,057
Bequests	65,872			65,872
Revenues from fundraising activities	37,865			37,865
Fund development campaign	13,984		2,577	16,561
Governmental contracted services	26,338			26,338
Grants	6,400			6,400
Donated services, materials, and facility	30,194			30,194
Interest and dividends	3,905			3,905
Distribution of earnings from community foundation	2,000			2,000
Change in value of beneficial interest in assets held by community foundation (net of \$1,510 of investment expenses)	(17,916)			(17,916)
Depreciation of investments	(30,700)			(30,700)
Other	4,475			4,475
Net assets released from restrictions	14,852	(14,852)		
<b>TOTAL SUPPORT AND REVENUE</b>	<b>392,040</b>	<b>(1,092)</b>	<b>7,263</b>	<b>398,211</b>
<b>EXPENSES</b>				
Program services	334,039			334,039
Supporting services:				
Management and general	64,771			64,771
Fundraising	11,538			11,538
<b>TOTAL SUPPORTING SERVICES</b>	<b>76,309</b>	<b>0</b>	<b>0</b>	<b>76,309</b>
<b>TOTAL EXPENSES</b>	<b>410,348</b>	<b>0</b>	<b>0</b>	<b>410,348</b>
<b>CHANGE IN NET ASSETS</b>	<b>(18,308)</b>	<b>(1,092)</b>	<b>7,263</b>	<b>(12,137)</b>
Net assets at beginning of year	29,735	17,450	217,618	264,803
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 11,427</b>	<b>\$ 16,358</b>	<b>\$ 224,881</b>	<b>\$ 252,666</b>

See notes to the financial statements.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	Year Ended May 31, 2008			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Shelter revenue	\$ 105,266			\$ 105,266
Direct public support	125,001	\$ 13,582		138,583
Bequests	19,458		\$ 100,000	119,458
Revenues from fundraising activities	50,597			50,597
Fund development campaign			7,818	7,818
Governmental contracted services	25,538			25,538
Grants		2,174		2,174
Donated services, materials, and facility	41,420			41,420
Interest and dividends	1,558			1,558
Distribution of earnings from community foundation	5,667			5,667
Change in value of beneficial interest in assets held by community foundation (net of \$2,015 of investment expenses)	1,082			1,082
Appreciation of investments	3,039			3,039
Other	2,835			2,835
Net assets released from restrictions	28,080	(28,080)		
<b>TOTAL SUPPORT AND REVENUE</b>	<b>409,541</b>	<b>(12,324)</b>	<b>107,818</b>	<b>505,035</b>
<b>EXPENSES</b>				
Program services	339,336			339,336
Supporting services:				
Management and general	64,387			64,387
Fundraising	13,250			13,250
<b>TOTAL SUPPORTING SERVICES</b>	<b>77,637</b>	<b>0</b>	<b>0</b>	<b>77,637</b>
<b>TOTAL EXPENSES</b>	<b>416,973</b>	<b>0</b>	<b>0</b>	<b>416,973</b>
<b>CHANGE IN NET ASSETS</b>	<b>(7,432)</b>	<b>(12,324)</b>	<b>107,818</b>	<b>88,062</b>
Net assets at beginning of year	37,167	29,774	109,800	176,741
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 29,735</b>	<b>\$ 17,450</b>	<b>\$ 217,618</b>	<b>\$ 264,803</b>

See notes to the financial statements.

STATEMENTS OF CASH FLOWS

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	Year Ended May 31	
	2009	2008
CASH FLOW PROVIDED (USED BY)		
OPERATING ACTIVITIES		
Change in net assets	\$ (12,137)	\$ 88,062
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	10,382	10,492
Depreciation (appreciation) of investments	30,700	(3,050)
Change in beneficial interest in assets held by community foundation	17,916	(1,082)
Contributions restricted for long-term purposes	(10,991)	
Change in operating assets and liabilities:		
Accounts receivable	(49)	3,888
Inventory	50	1,957
Bequest receivable	(65,872)	
Other assets	1,045	11
Accounts payable	(7,409)	(235)
Other current liabilities	(619)	(5,148)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(36,984)</u>	<u>94,895</u>
INVESTING ACTIVITIES		
Acquisition of property and equipment		(4,973)
Purchase of securities	(21,090)	(125,069)
Sale of securities	21,247	15,013
Distribution from interest in Community Foundation Fund		9,482
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>157</u>	<u>(105,547)</u>
FINANCING ACTIVITIES--Net draws on line of credit		
(Decrease) Increase in cash and cash equivalents	<u>3,823</u>	<u>26,095</u>
	(33,004)	15,443
Cash and cash equivalents and beginning of year	<u>60,773</u>	<u>45,330</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 27,769</u>	<u>\$ 60,773</u>

See notes to the financial statements.

STATEMENTS OF FUNCTIONAL EXPENSES

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	Year Ended May 31, 2009			Total Expenses
	Program Services	Management and General	Fundraising	
Payroll expenses	\$ 136,567	\$ 26,590		\$ 163,157
Veterinary and medical supplies	134,860			134,860
Food for animals	8,679			8,679
Animal equipment and supplies	5,078			5,078
Utilities	10,375	546		10,921
Insurance	2,111	111		2,222
Custodial supplies/service	7,914			7,914
Office supplies	3,780	199		3,979
Repairs and maintenance	2,851			2,851
Vehicle expenses	1,268			1,268
Publication expenses	9,980			9,980
Community awareness	2,444			2,444
Professional fees		26,849		26,849
Special events			\$ 8,688	8,688
Cookbooks			2,850	2,850
Dog license expense	345			345
Depreciation	7,787	2,595		10,382
Bank fees		2,207		2,207
Interest expense		1,646		1,646
Miscellaneous		4,028		4,028
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 334,039</b>	<b>\$ 64,771</b>	<b>\$ 11,538</b>	<b>\$ 410,348</b>

See notes to the financial statements.



STATEMENT OF FUNCTIONAL EXPENSES

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

	Year Ended May 31, 2008			Total Expenses
	Program Services	Management and General	Fundraising	
Payroll expenses	\$ 149,657	\$ 25,011		\$ 174,668
Veterinary and medical supplies	98,720			98,720
Food for animals	2,226			2,226
Animal equipment	4,650			4,650
Utilities	14,019	738		14,757
Insurance	2,596			2,596
Custodial supplies/service	4,751	250		5,001
Office supplies	4,749	250		4,999
Repairs and maintenance	21,244			21,244
Travel/Vehicle expenses	2,191			2,191
Publication expenses	11,023			11,023
Community awareness	11,159			11,159
Conferences	1,282			1,282
Professional fees		29,655		29,655
Special events			\$ 13,250	13,250
Dog license expense	120			120
Depreciation	7,869	2,623		10,492
Bank fees		2,332		2,332
Interest expense		2,501		2,501
Miscellaneous	3,080	1,027		4,107
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 339,336</b>	<b>\$ 64,387</b>	<b>\$ 13,250</b>	<b>\$ 416,973</b>

See notes to the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### **MARQUETTE COUNTY HUMANE SOCIETY, INC.**

May 31, 2009

#### **NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Marquette County Humane Society, Inc., (Society) is a non-profit organization whose purpose is to ensure the safety and protection of all animals. Services provided by the Society include care and shelter of stray animals, adoption service, neglect/cruelty referrals, lost and found service, humane education, and community awareness campaigns.

##### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

##### Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term, highly liquid investments with original maturities of three months or less.

##### Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statements of financial position based on quoted market prices. Realized and unrealized gains and losses are included in the statements of activities and changes in net assets.

##### Pledges Receivable

Unconditional promises to give are recognized as revenue in the period received. Pledges receivable are recorded at net realizable value. The Society uses the allowance method to estimate uncollectible pledges receivable, which management estimated to be \$2,000 as of May 31, 2009.

##### Land, Buildings, and Equipment

Fixed assets are obtained through purchase and donation. Purchased assets are recorded at cost; donated assets are recorded at their fair market value at the date of donation. Fixed assets are depreciated using the straight line method, over the projected life of the assets. The buildings and its improvements are being depreciated over 30 years, new equipment over seven years, and used equipment over five years. The Society capitalizes all fixed assets valued greater than \$1,000.

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

Net Assets

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the existence and/or nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Donated Services and Materials

Under SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, the Society recognizes services requiring specialized skills such as those provided by accountants, attorneys, and other professionals if the services would need to be purchased if not donated. The amount of such donated services recorded and reflected in the accompanying financial statements was \$20,000 and \$33,756 for the years ended May 31, 2009 and 2008, respectively.

Donated materials are recorded as revenues and expenses at their estimated fair values in the period received. Donated goods are rarely resold by the Society and consist mainly of items used in shelter operations, such as food, supplies, and similar items. The Society recognized \$10,194 and \$6,460 of donated materials for the years ended May 31, 2009 and 2008, respectively.

Use of Estimates

Preparation of the Society's financial statements, in conformity with accounting principles generally accepted in the United States of America, requires the use of management's estimates. Actual results could differ from these estimates.

Reclassifications

Certain amounts as of and for the year ended May 31, 2008, have been reclassified to conform to the current year's presentation.

**NOTE B--INCOME TAX STATUS**

The Society, a publicly supported organization, is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and accordingly, has recorded no liability for federal income taxes during the year. Additionally, the Society is exempt from federal unemployment taxes under the same section of the Internal Revenue Code.

NOTES TO FINANCIAL STATEMENTS--Continued

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

**NOTE C--TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are donor restricted for the following purposes:

	May 31	
	2009	2008
New feline facility	\$ 3,449	\$ 4,775
Horse protection and education	11,747	9,223
Feline leukemia testing		997
Vet services and comfort items for shelter dogs	891	2,184
Pet interaction at nursing homes	271	271
	<u>\$ 16,358</u>	<u>\$ 17,450</u>

**NOTE D--PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are donor restricted for the following purposes:

	May 31	
	2009	2008
Land	\$ 9,800	\$ 9,800
Beneficial interest in community foundation	100,000	100,000
Endowment fund	115,081	107,818
	<u>\$ 224,881</u>	<u>\$ 217,618</u>

The parcel of land was transferred to the Society on May 14, 2001, by the Board of County Road Commissioners for the County of Marquette via Quit-Claim Deed for as long as the property is used as an animal shelter.

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

**NOTE D--PERMANENTLY RESTRICTED NET ASSETS--Continued**

In 2004, the Society contributed assets to the Marquette Community Foundation (Foundation) to establish the Marquette County Humane Society Agency Fund (Fund). The Society named itself as the beneficiary of the expendable earnings, which are to be distributed at least annually. The Society granted variance power to the Foundation, whereby if the Fund is terminated or if the Foundation dissolves, ceases to exist, or ceases to hold or administer the funds, the governing board of the Foundation shall distribute the net assets as it chooses, giving primary consideration to the Society or to an organization or purpose recommended by the Society. In accordance with SFAS 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*, these amounts are reported on the Society's statement of financial position as a beneficial interest in assets held by others. Earning distributions are recognized as an increase in unrestricted net assets

Finally, permanently restricted net assets include amounts designated by donors for an endowment fund. Income earned on investments may be used for general purposes.

**NOTE E--CONCENTRATION OF CREDIT RISK**

Substantially, all transactions of the Society are conducted in Marquette County, Michigan; therefore, the Society is affected by regional economic conditions.

**NOTE F--COMMITMENTS**

The Society has contracts with the City of Marquette, Marquette County, Negaunee Township, Ely Township, and Chocolay Township, which require it to provide various types of care for stray animals. All contracts are open-ended, with either party able to cancel the contract: some contracts require 20-days notice, while other contracts are silent. The Society issues monthly invoices for services rendered.

**NOTE G--LINE OF CREDIT**

The Society has a \$30,000 line-of-credit with a bank. The line of credit is revolving, renews annually on January 1, and bears an interest rate of five percent. The line is unsecured. Amounts drawn on the line of credit were \$29,918 and \$26,095 as of May 31, 2009 and 2008, respectively.

NOTES TO FINANCIAL STATEMENTS--Continued

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

**NOTE H--INVESTMENTS**

The Society held the following investments:

	May 31, 2009		
	Cost	Quoted Prices in Active Markets (Level 1)	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 2,725	\$ 2,725	
Mutual funds	56,945	42,968	\$ (13,977)
Government and agency	14,840	14,978	138
Preferred stock	20,178	13,829	(6,349)
Common stock	13,881	6,916	(6,965)
Other	3,404	2,323	(1,081)
<b>TOTAL AT END OF YEAR</b>	<b>\$ 111,973</b>	<b>\$ 83,739</b>	<b>\$ (28,234)</b>

The Society held the following investments:

	May 31, 2008		
	Cost	Quoted Prices in Active Markets (Level 1)	Unrealized Appreciation (Depreciation)
Short-term investments	\$ 7,291	\$ 7,291	
Mutual funds	54,500	57,169	\$ 2,669
Government and agency	15,030	15,004	(26)
Preferred stock	20,178	19,228	(950)
Common stock	11,758	11,849	91
Other	3,404	4,055	651
<b>TOTAL AT END OF YEAR</b>	<b>\$ 112,161</b>	<b>\$ 114,596</b>	<b>\$ 2,435</b>

**NOTE I--PLEDGES RECEIVABLE**

Pledges receivable represent outstanding pledges for the Fund Development Program (Program). The Program's goal was to raise both operating and endowment funds over a five-year time period (calendar year). A portion of each year's contributions is available for current operations and the remainder will be permanently endowed.

NOTES TO FINANCIAL STATEMENTS--Continued

**MARQUETTE COUNTY HUMANE SOCIETY, INC.**

**NOTE I--PLEDGES RECEIVABLE--Continued**

Pledges receivable are as follows:

	<u>May 31, 2009</u>	
Receivable in less than one year		\$ 5,750
Gross receivable in two to five years	\$ 7,241	
Less allowance for uncollectible pledges	<u>(2,000)</u>	
Net receivable in two to five years		<u>5,241</u>
Net unconditional pledges receivable		<u>\$ 10,991</u>

**NOTE J--ENDOWMENT FUND**

The Society follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Society's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

The Board of Directors, upon recommendation from the Finance Committee, determines a percentage of earnings to be distributed each year.

Changes in endowment net assets are as follows:

	<u>Year Ended May 31, 2009</u>	
	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$	107,818
Contributions		<u>7,263</u>
Endowment net assets, end of year	<u>\$</u>	<u>115,081</u>

The market value of endowment investments as of May 31, 2009, approximated \$82,390 and is \$32,691 less than the amounts required by donors and UMIFA.