

Audited Financial Statements

UPPER PENINSULA ANIMAL WELFARE SHELTER

May 31, 2013

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Peninsula Animal Welfare Shelter
Negaunee, Michigan

We have audited the accompanying statements of the Upper Peninsula Animal Welfare Shelter (a non-profit corporation), which comprise the statements of financial position as of May 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 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 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 the Upper Peninsula Animal Welfare Shelter as of May 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.

Makela, Toutant, Hill & Nardi, P.C.

Marquette, Michigan
November 11, 2013

Our goal is to help you meet yours!

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STATEMENTS OF FINANCIAL POSITION

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | May 31 | |
|--|-------------------|-------------------|
| | 2013 | 2012 |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 341,494 | \$ 343,644 |
| Accounts receivable | 2,892 | 2,545 |
| Bequest receivable | 15,000 | |
| Pledges receivable, current portion | 250 | 250 |
| TOTAL CURRENT ASSETS | 359,636 | 346,439 |
| OTHER ASSETS | | |
| Pledges receivable, non-current | 1,000 | 1,000 |
| Investments | 202,948 | 188,836 |
| Beneficial interest in assets held by community foundation | 99,814 | 92,337 |
| | 303,762 | 282,173 |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| Land | 9,800 | 9,800 |
| Buildings and improvements | 188,544 | 176,958 |
| Vehicles | 21,643 | 21,643 |
| Office and kennel equipment | 10,683 | 10,683 |
| | 230,670 | 219,084 |
| Less accumulated depreciation | 194,229 | 188,102 |
| TOTAL PROPERTY, PLANT, AND EQUIPMENT | 36,441 | 30,982 |
| TOTAL ASSETS | \$ 699,839 | \$ 659,594 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 23,353 | \$ 22,583 |
| Accrued payroll and payroll taxes | 8,129 | 8,287 |
| Accrued benefits | 4,478 | 3,286 |
| TOTAL CURRENT LIABILITIES | 35,960 | 34,156 |
| NET ASSETS | | |
| Unrestricted | 346,678 | 306,649 |
| Temporarily restricted | 24,449 | 26,522 |
| Permanently restricted | 292,752 | 292,267 |
| TOTAL NET ASSETS | 663,879 | 625,438 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 699,839 | \$ 659,594 |

See notes to the financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | Year Ended May 31, 2013 | | | |
|---|-------------------------|---------------------------|---------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| SUPPORT AND REVENUE | | | | |
| Shelter revenue | \$ 82,950 | | | \$ 82,950 |
| Direct public support | 169,458 | \$ 36,203 | \$ 485 | 206,146 |
| Bequests | 15,975 | | | 15,975 |
| Revenues from fundraising events and special projects | 110,420 | | | 110,420 |
| Governmental contracted services | 16,383 | | | 16,383 |
| Donated services, materials, and facility | 28,371 | | | 28,371 |
| Interest and dividends | 3,755 | | | 3,755 |
| Distribution of earnings from community foundation | 3,978 | | | 3,978 |
| Change in value of beneficial interest in assets held by community foundation (net of \$906 of investment expenses) | 7,477 | | | 7,477 |
| Appreciation of investments | 16,275 | | | 16,275 |
| Resale items, net of related cost of \$6,392 | 3,796 | | | 3,796 |
| Other | 9,376 | | | 9,376 |
| Net assets released from restrictions | 38,276 | (38,276) | | |
| TOTAL SUPPORT AND REVENUE | 506,490 | (2,073) | 485 | 504,902 |
| EXPENSES | | | | |
| Program services | 389,113 | | | 389,113 |
| Supporting services: | | | | |
| Management and general | 48,460 | | | 48,460 |
| Fundraising | 28,888 | | | 28,888 |
| TOTAL SUPPORTING SERVICES | 77,348 | 0 | 0 | 77,348 |
| TOTAL EXPENSES | 466,461 | 0 | 0 | 466,461 |
| CHANGE IN NET ASSETS | 40,029 | (2,073) | 485 | 38,441 |
| Net assets at beginning of year | 306,649 | 26,522 | 292,267 | 625,438 |
| NET ASSETS AT END OF YEAR | \$ 346,678 | \$ 24,449 | \$ 292,752 | \$ 663,879 |

See notes to the financial statements.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | Year Ended May 31, 2012 | | | Total |
|---|-------------------------|------------------------|------------------------|-------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | |
| SUPPORT AND REVENUE | | | | |
| Shelter revenue | \$ 73,111 | | | \$ 73,111 |
| Direct public support | 154,817 | \$ 36,088 | | 190,905 |
| Bequests | 14,951 | | | 14,951 |
| Revenues from fundraising events and special projects | 78,793 | | | 78,793 |
| Fund development campaign | | | \$ 7,251 | 7,251 |
| Governmental contracted services | 18,682 | | | 18,682 |
| Grants | | 5,000 | | 5,000 |
| Donated services, materials, and facility | 35,219 | | | 35,219 |
| Interest and dividends | 6,910 | | | 6,910 |
| Distribution of earnings from community foundation | | | | |
| Change in value of beneficial interest in assets held by community foundation (net of \$1,510 of investment expenses) | (3,451) | | | (3,451) |
| Depreciation of investments | (23,009) | | | (23,009) |
| Resale items, net of related cost of \$7,036 | 3,725 | | | 3,725 |
| Other | 2,505 | | | 2,505 |
| Net assets released from restrictions | 39,263 | (39,263) | | |
| TOTAL SUPPORT AND REVENUE | 401,516 | 1,825 | 7,251 | 410,592 |
| EXPENSES | | | | |
| Program services | 386,667 | | | 386,667 |
| Supporting services: | | | | |
| Management and general | 66,383 | | | 66,383 |
| Fundraising | 25,462 | | | 25,462 |
| TOTAL SUPPORTING SERVICES | 91,845 | 0 | 0 | 91,845 |
| TOTAL EXPENSES | 478,512 | 0 | 0 | 478,512 |
| CHANGE IN NET ASSETS | (76,996) | 1,825 | 7,251 | (67,920) |
| Net assets at beginning of year | 383,645 | 24,697 | 285,016 | 693,358 |
| NET ASSETS AT END OF YEAR | \$ 306,649 | \$ 26,522 | \$ 292,267 | \$ 625,438 |

See notes to the financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | Year Ended May 31, 2013 | | | |
|---|-------------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Payroll expenses | \$ 158,623 | \$ 25,400 | | \$ 184,023 |
| Veterinary and medical supplies | 156,121 | | | 156,121 |
| Food for animals | 3,635 | | | 3,635 |
| Animal equipment | 3,286 | | | 3,286 |
| Utilities | 7,530 | 397 | | 7,927 |
| Insurance | 2,851 | 158 | \$ 158 | 3,167 |
| Custodial supplies/service | 8,311 | | | 8,311 |
| Office supplies | 3,016 | 168 | 168 | 3,352 |
| Repairs and maintenance | 3,313 | | | 3,313 |
| Travel/Vehicle expenses | 2,713 | | | 2,713 |
| Publication expenses | 14,012 | | | 14,012 |
| Community awareness | 1,807 | | | 1,807 |
| Conferences | 753 | | | 753 |
| Donated materials | 16,871 | | | 16,871 |
| Professional fees, including donated services | | 16,154 | | 16,154 |
| Fundraising events and projects | | | 23,482 | 23,482 |
| Dog license expense | 224 | | | 224 |
| Depreciation | 4,595 | 1,532 | | 6,127 |
| Bank fees | 1,452 | 415 | 208 | 2,075 |
| New shelter | | | 4,872 | 4,872 |
| Miscellaneous | | 4,236 | | 4,236 |
| TOTAL FUNCTIONAL EXPENSES | \$ 389,113 | \$ 48,460 | \$ 28,888 | \$ 466,461 |

See notes to the financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | Year Ended May 31, 2012 | | | |
|---|-------------------------|---------------------------|------------------|-------------------|
| | Program Services | Management and General | Fundraising | Total Expenses |
| Payroll expenses | \$ 154,865 | \$ 29,544 | | \$ 184,409 |
| Veterinary and medical supplies | 154,581 | | | 154,581 |
| Food for animals | 2,481 | | | 2,481 |
| Animal equipment | 3,392 | | | 3,392 |
| Utilities | 9,769 | 514 | | 10,283 |
| Insurance | 2,674 | 149 | \$ 149 | 2,972 |
| Custodial supplies/service | 8,871 | | | 8,871 |
| Office supplies | 4,062 | 226 | 226 | 4,514 |
| Repairs and maintenance | 3,569 | | | 3,569 |
| Travel/Vehicle expenses | 1,880 | | | 1,880 |
| Publication expenses | 11,161 | | | 11,161 |
| Community awareness | 4,587 | | | 4,587 |
| Conferences | 1,540 | | | 1,540 |
| Donated materials | 16,944 | | | 16,944 |
| Professional fees, including donated services | | 31,119 | 4,770 | 35,889 |
| Fundraising events and projects | | | 20,146 | 20,146 |
| Dog license expense | 521 | | | 521 |
| Depreciation | 4,577 | 1,526 | | 6,103 |
| Bank fees | 1,193 | 341 | 171 | 1,705 |
| Miscellaneous | | 2,964 | | 2,964 |
| TOTAL FUNCTIONAL EXPENSES | \$ 386,667 | \$ 66,383 | \$ 25,462 | \$ 478,512 |

See notes to the financial statements.

STATEMENTS OF CASH FLOWS

UPPER PENINSULA ANIMAL WELFARE SHELTER

| | Year Ended May 31 | |
|--|-------------------|-------------|
| | 2013 | 2012 |
| CASH FLOW PROVIDED (USED) BY | | |
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ 38,441 | \$ (67,920) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 6,127 | 6,103 |
| (Appreciation) Depreciation fair value of investments | (16,275) | 23,010 |
| Change in beneficial interest in assets held by community foundation | (7,477) | 3,451 |
| (Increase) Decrease in: | | |
| Accounts receivable | (347) | 1,993 |
| Pledges receivable | | 2,850 |
| Bequest receivable | (15,000) | 5,000 |
| Increase (Decrease) in: | | |
| Accounts payable | 770 | 9,971 |
| Other current liabilities | 1,034 | 1,633 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | 7,273 | (13,909) |
| INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (11,586) | |
| Purchases of securities | (48,000) | (22,746) |
| Sales of securities | 50,163 | 15,053 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (9,423) | (7,693) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (2,150) | (21,602) |
| Cash and cash equivalents at beginning of year | 343,644 | 365,246 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 341,494 | \$ 343,644 |

See notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS

UPPER PENINSULA ANIMAL WELFARE SHELTER

May 31, 2013

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Upper Peninsula Animal Welfare Shelter (Shelter) is a non-profit organization whose purpose is to ensure the safety and protection of all animals. Services provided by the Shelter include care and shelter of stray animals; adoption service; neglect/cruelty referrals; lost and found service; humane education; and community awareness campaigns. The Shelter's main source of revenue is public contributions.

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 Shelter uses the allowance method to estimate uncollectible pledges receivable, which management estimated to be \$0 as of May 31, 2013 and 2012, respectively.

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 improvements are being depreciated over 30 years, new equipment over seven years, and used equipment over five years. The Shelter capitalizes all fixed assets valued greater than \$1,000.

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

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 the Financial Accounting Standards Board's (FASB) Accounting Standard Codification (ASC) 958-605, *Not-for-Profit Entities - Revenue Recognition*, the Shelter 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 \$11,000 and \$18,275 for the years ended May 31, 2013 and 2012, 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 Shelter and consist mainly of items used in shelter operations, such as food, supplies, and similar items. The Shelter recognized \$17,371 and \$16,944 of donated materials for the years ended May 31, 2013 and 2012, respectively.

Use of Estimates

Preparation of the Shelter'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, 2012, have been reclassified to conform to the current year's presentation.

Subsequent Events

Subsequent events were evaluated through November 11, 2013, which is the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE B--INCOME TAX STATUS

The Shelter, 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 Shelter is exempt from federal unemployment taxes under the same section of the Internal Revenue Code.

The Shelter files Form 990 with the Internal Revenue Service. The Shelter believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Shelter's financial condition, results of operations, or cash flows. The Shelter is generally no longer subject to examination by the Internal Revenue Service for tax years ending on or before May 31, 2009.

NOTE C--TEMPORARILY RESTRICTED NET ASSETS

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

| | May 31 | |
|--------------------------------|-------------------|-------------------|
| | 2013 | 2012 |
| Capital projects: | | |
| New feline facility | \$ 3,449 | \$ 3,449 |
| Building improvements | | 1,946 |
| Horse protection and education | 21,000 | 19,951 |
| Community spay and neuter | | 1,176 |
| | <u> </u> | <u> </u> |
| TOTAL | <u>\$ 24,449</u> | <u>\$ 26,522</u> |

NOTE D--PERMANENTLY RESTRICTED NET ASSETS

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

| | May 31 | |
|---|-------------------|-------------------|
| | 2013 | 2012 |
| Land | \$ 9,800 | \$ 9,800 |
| Beneficial interest in community foundation | 100,000 | 100,000 |
| Endowment fund | 182,952 | 182,467 |
| | <u> </u> | <u> </u> |
| TOTAL | <u>\$ 292,752</u> | <u>\$ 292,267</u> |

The parcel of land on which the Shelter facility is located was transferred to the Shelter 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.

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE D--PERMANENTLY RESTRICTED NET ASSETS--Continued

In 2004, the Shelter contributed assets to the Marquette Community Foundation (Foundation) to establish the Marquette County Humane Society Agency Fund (Fund). The Shelter named itself as the beneficiary of the expendable earnings, which are to be distributed at least annually. The Shelter 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 Shelter or to an organization or purpose recommended by the Shelter. In accordance with FASB ASC 958-20, *Not-for-Profit Entities - Financially Interrelated Entities*, these amounts are reported on the Shelter'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.

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 Shelter are conducted in Marquette County, Michigan; therefore, the Shelter is affected by regional economic conditions.

NOTE F--COMMITMENTS

The Shelter 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 Shelter issues monthly invoices for services rendered.

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE G--INVESTMENTS

Market value and unrealized appreciation (depreciation) on investments are as follows:

| | May 31, 2013 | | |
|------------------------|-------------------|-------------------|--|
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Short-term investments | \$ 3,860 | \$ 3,860 | |
| Mutual funds | 141,325 | 153,647 | \$ 12,322 |
| Corporate bonds | 14,897 | 15,534 | 637 |
| Common stocks | 25,436 | 14,085 | (11,351) |
| Other | 9,693 | 15,822 | 6,129 |
| TOTAL AT END OF YEAR | <u>\$ 195,211</u> | <u>\$ 202,948</u> | <u>\$ 7,737</u> |
| | May 31, 2012 | | |
| | Cost | Fair Value | Unrealized Appreciation (Depreciation) |
| Short-term investments | \$ 3,772 | \$ 3,772 | |
| Mutual funds | 148,471 | 134,169 | \$ (14,302) |
| Corporate bonds | 14,897 | 15,971 | 1,074 |
| Common stocks | 31,494 | 23,497 | (7,997) |
| Other | 6,631 | 11,427 | 4,796 |
| TOTAL AT END OF YEAR | <u>\$ 205,265</u> | <u>\$ 188,836</u> | <u>\$ (16,429)</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE G--INVESTMENTS--Continued

The following table presents information about the Shelter's investments measured at fair value on a recurring basis at May 31, and the valuation techniques used by the Shelter to determine those fair values. The FASB ASC 820, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; Level 3 inputs consist of unobservable inputs and have the lowest priority. The Shelter uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

| | | Fair Value Measurements at Reporting Date Using: | | |
|-----------------------------|-------------------|--|---|--|
| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <u>May 31, 2013:</u> | | | | |
| Short-term investments | \$ 3,860 | \$ 3,860 | | |
| Mutual funds | 153,647 | 153,647 | | |
| Corporate bonds | 15,534 | 15,534 | | |
| Common stocks | 14,085 | 11,658 | \$ 2,427 | |
| Other | 15,822 | 15,822 | | |
| | | | | |
| TOTAL INVESTMENT SECURITIES | <u>\$ 202,948</u> | <u>\$ 200,521</u> | <u>\$ 2,427</u> | <u>\$ 0</u> |
| <u>May 31, 2012:</u> | | | | |
| Short-term investments | \$ 3,772 | \$ 3,772 | | |
| Mutual funds | 134,169 | 134,169 | | |
| Corporate bonds | 15,971 | 15,971 | | |
| Common stocks | 23,497 | 15,977 | \$ 7,520 | |
| Other | 11,427 | 11,427 | | |
| | | | | |
| TOTAL INVESTMENT SECURITIES | <u>\$ 188,836</u> | <u>\$ 181,316</u> | <u>\$ 7,520</u> | <u>\$ 0</u> |

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE H--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.

Pledges receivable are as follows:

| | May 31 | |
|---|-----------------|-----------------|
| | 2013 | 2012 |
| Receivable in less than one year | \$ 250 | \$ 250 |
| Receivable in two to five years | 1,000 | 1,000 |
| Gross receivables | 1,250 | 1,250 |
| Less allowance for uncollectible pledges | 0 | 0 |
| NET UNCONDITIONAL PLEDGES RECEIVABLE | \$ 1,250 | \$ 1,250 |

NOTE I--ENDOWMENT FUND

The Shelter follows the Uniform Prudent Management of Institutional Funds Act of 1972 (UPMIFA) and its own governing documents. UPMIFA 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 UPMIFA. The Shelter'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.

The composition of the endowment fund's net assets is as follows:

| | Unrestricted | Permanently Restricted | Total |
|----------------------------------|--------------|---------------------------|------------|
| <u>May 31, 2013:</u> | | | |
| Donor designated endowment funds | \$ 14,361 | \$ 182,952 | \$ 197,313 |
| <u>May 31, 2012:</u> | | | |
| Donor designated endowment funds | \$ (2,635) | \$ 182,467 | \$ 179,832 |

NOTES TO FINANCIAL STATEMENTS--Continued

UPPER PENINSULA ANIMAL WELFARE SHELTER

NOTE I--ENDOWMENT FUND--Continued

The following represents the changes in endowment fund net assets for the years ending May 31, 2013 and 2012:

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-------------------|
| Endowment fund net assets at June 1, 2011 | \$ 15,011 | \$ 175,216 | \$ 190,227 |
| Investment return: | | | |
| Investment income | 4,374 | | 4,374 |
| Realized gains | (241) | | (241) |
| Unrealized appreciation | (16,779) | | (16,779) |
| Total investment return | <u>(12,646)</u> | | <u>(12,646)</u> |
| Contributions | | 7,251 | 7,251 |
| Appropriation of endowment assets for expenditure | <u>(5,000)</u> | | <u>(5,000)</u> |
| Endowment fund net assets (deficit) at May 31, 2012 | <u>\$ (2,635)</u> | <u>\$ 182,467</u> | <u>\$ 179,832</u> |
| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
| Endowment fund net assets (deficit) at June 1, 2012 | \$ (2,635) | \$ 182,467 | \$ 179,832 |
| Investment return: | | | |
| Investment income | 2,402 | | 2,402 |
| Realized losses | (7,790) | | (7,790) |
| Unrealized appreciation | 27,384 | | 27,384 |
| Total investment return | <u>21,996</u> | | <u>21,996</u> |
| Contributions | | 485 | 485 |
| Appropriation of endowment assets for expenditure | <u>(5,000)</u> | | <u>(5,000)</u> |
| Endowment fund net assets at May 31, 2013 | <u>\$ 14,361</u> | <u>\$ 182,952</u> | <u>\$ 197,313</u> |

The market value of endowment investments as of May 31, 2013, totaled \$197,313 which is \$14,361 more than the amount required by donors and UPMIFA.