



STATE OF INDIANA
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B34512

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

June 17, 2009

Board of Directors
Kokomo Humane Society, Inc.
713 N. Elizabeth St.
Kokomo, IN 46901

We have reviewed the audit report prepared by Bucheri McCarty & Metz, LLP, Independent Public Accountants, for the period January 1, 2007 to December 31, 2007. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Kokomo Humane Society, Inc., as of December 31, 2007, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

Financial Statements

KOKOMO HUMANE SOCIETY, INC.

December 31, 2007 and 2006

KOKOMO HUMANE SOCIETY, INC.

Financial Statements

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BUCHERI McCARTY & METZ LLP

Certified Public Accountants | Consultants

Charting the Course

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Kokomo Humane Society, Inc.
Kokomo, Indiana

We have audited the accompanying statements of assets, liabilities, and net assets - modified cash basis of Kokomo Humane Society, Inc. (a nonprofit corporation) as of December 31, 2007 and 2006, and the related statements of revenue, expenses and other changes in net assets - modified cash basis and the statement of functional expenses - modified cash basis, for the years then ended. These financial statements are the responsibility of the Organization'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 we plan and perform the audit 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.

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of Kokomo Humane Society, Inc. as of December 31, 2007 and 2006, and its revenue and expenses for the years then ended, on the basis of accounting described in Note 1.

November 4, 2008

BUCHERI MCCARTY & METZ LLP
Certified Public Accountants

KOKOMO HUMANE SOCIETY, INC.

STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS
MODIFIED CASH BASIS

December 31, 2007 and 2006

ASSETS

	<u>2007</u>	<u>2006</u>
Cash	\$112,659	\$ 76,872
Investments	393,980	376,004
Fixed assets, net of accumulated depreciation	<u>273,525</u>	<u>299,762</u>
Total assets	<u>\$780,164</u>	<u>\$752,638</u>

LIABILITIES AND NET ASSETS

Net Assets		
Unrestricted net assets	<u>\$780,164</u>	<u>\$752,638</u>

See accompanying notes.

KOKOMO HUMANE SOCIETY, INC.

STATEMENTS OF REVENUE, EXPENSES, AND
OTHER CHANGES IN NET ASSETS
MODIFIED CASH BASIS

For the Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Changes in Unrestricted Net Assets		
Revenue		
Public support		
Donations, gifts, etc.	\$ 29,438	\$ 55,566
Bequests	8,470	41,117
Fundraising income (net of expenses of \$5,487)	<u>12,785</u>	<u>10,442</u>
Total public support	<u>50,693</u>	<u>107,125</u>
Grants		
Animal control - local governments	452,106	434,664
Other	<u>300</u>	<u>--</u>
Total grants	<u>452,406</u>	<u>434,664</u>
Other Revenue		
Program fees	105,917	46,622
Interest and dividends	28,832	17,295
Loss on sale of assets	--	(1,029)
Total other revenue	<u>134,749</u>	<u>62,888</u>
Total revenue	<u>637,848</u>	<u>604,677</u>
Expenses		
Program expenses	582,623	460,943
Management and general expenses	<u>27,699</u>	<u>76,388</u>
Total expenses	<u>610,322</u>	<u>537,331</u>
Change in Net Assets	27,526	67,346
Net Assets, Beginning of Year	<u>752,638</u>	<u>685,292</u>
Net Assets, End of Year	<u>\$780,164</u>	<u>\$752,638</u>

See accompanying notes.

KOKOMO HUMANE SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
 MODIFIED CASH BASIS
 For the Year Ended December 31, 2007
 (With Comparative Totals for 2006)

	<u>Program Expenses</u>	<u>Management and General</u>	<u>2007 Total</u>	<u>2006 Total</u>
Salaries	\$295,645	\$17,506	\$313,151	\$267,000
Payroll taxes	22,617	1,339	23,956	20,428
Pension expense	7,680	141	7,821	7,263
Health insurance	57,199	--	57,199	50,048
Employee training	5,422	--	5,422	1,390
Legal and accounting	--	7,341	7,341	9,280
Utilities	12,200	--	12,200	13,076
Dues and subscriptions	1,580	--	1,580	1,099
Uniforms	1,053	--	1,053	1,687
Animal feed	7,992	--	7,992	2,564
Veterinarian	3,768	--	3,768	1,524
Supplies	25,042	--	25,042	13,022
Neutering and immunization	26,921	--	26,921	29,550
Maintenance and repairs	8,884	--	8,884	10,310
Insurance - general	11,789	--	11,789	10,949
Refunds - neutering And immunizations	6,713	--	6,713	5,774
Licenses and permits	2,767	--	2,767	2,934
Newsletter	4,081	--	4,081	1,066
Vaccinations	13,693	--	13,693	12,465
Outside services	13,941	--	13,941	16,308
Auto expense	12,122	--	12,122	13,594
Postage	1,626	--	1,626	753
Bank charges	1,861	--	1,861	1,518
Conferences, conventions And meetings	--	1,372	1,372	2,258
Education	2,265	--	2,265	4,420
Miscellaneous	2,633	--	2,633	2,700
Total Before Depreciation	549,494	27,699	577,193	502,980
Depreciation	33,129	--	33,129	34,351
Total Expenses	<u>\$582,623</u>	<u>\$27,699</u>	<u>\$610,322</u>	<u>\$537,331</u>

See accompanying notes.

KOKOMO HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

Kokomo Humane Society, Inc. (KHS) was established and incorporated in 1891. KHS is a non-profit organization whose purpose is to improve the lives of domestic and companion animals through sheltering, reunion of lost pets with the families, adoption, humane education and cruelty prevention.

B. Accounting Method

KHS accounts for all transactions on a cash basis with provision for depreciation and payroll liabilities. Under the cash method of accounting, income earned (receivable) is not recorded on the books until received in cash. Likewise, expenses incurred (payable) in the conduct of the business of the organization, are not recorded until time of payment.

C. Income Taxes

KHS, a non-profit organization operating under Section 501(C)(3) of the Internal Revenue Code as other than a private foundation, is generally exempt from federal and state income taxes and, accordingly, no provision for income taxes is included in the financial statements.

D. Investments

Marketable debt and equity securities are carried at cost.

E. Estimates

The preparation of financial statements requires the use of management's estimates.

F. Non-Cash Contributions

The Organization receives a substantial amount of non-cash contributions in the form of dog food each year for which no monetary value has been assigned. It is not possible or practical to estimate the value of these donations. The dog food donations are made by Hill's Pet Nutrition, Inc. The use of Pet Point software is provided by Pethealth, Inc. through their microchip and lost pet recovery program.

KOKOMO HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2007 and 2006

NOTE 2 - SCHEDULE OF CASH

	<u>2007</u>	<u>2006</u>
Commercial Accounts:		
Community First Bank	\$ 68,167	\$ --
Prime Fund - capital reserves class	44,492	--
National City Bank	--	37,692
Heritage Trust	--	39,180
	<u> </u>	<u> </u>
Total cash	<u>\$112,659</u>	<u>\$76,872</u>

NOTE 3 - INVESTMENTS

Assets held in the investment account at December 31, 2007 and 2006 are as follows:

	<u>2007</u>		<u>Unrealized</u>
	<u>Fair Value</u>	<u>Cost</u>	<u>Holding</u>
			<u>Gain (Loss)</u>
Certificates of deposit	\$276,156	\$277,804	(\$1,648)
Government backed securities	50,000	50,004	(4)
Mutual funds	<u>58,205</u>	<u>66,172</u>	<u>(7,967)</u>
	<u>\$384,361</u>	<u>\$393,980</u>	<u>(\$9,619)</u>
Totals			
	<u>2006</u>		<u>Unrealized</u>
	<u>Fair Value</u>	<u>Cost</u>	<u>Holding</u>
			<u>Gain (Loss)</u>
Certificates of deposit	\$322,898	\$326,000	(\$3,102)
Government backed securities	48,344	50,004	(1,660)
Mutual funds	<u>--</u>	<u>--</u>	<u>--</u>
	<u>\$371,242</u>	<u>\$376,004</u>	<u>(\$4,762)</u>
Totals			

The fair value of investments is determined by reference to published listings. For accounting purposes, investments are carried at cost.

KOKOMO HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 4 - PROPERTY AND EQUIPMENT

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>
Land	\$ 27,961	\$ --	\$ 27,961	\$ --
Land improvements	46,998	20,959	46,998	18,870
Buildings and improvements	363,782	184,728	361,181	173,069
Equipment	72,156	62,724	67,866	59,584
Furniture and fixtures	1,240	1,240	1,240	1,240
Vehicles	<u>120,706</u>	<u>89,667</u>	<u>120,706</u>	<u>73,427</u>
Total	<u>\$632,843</u>	<u>\$359,318</u>	<u>\$625,952</u>	<u>\$326,190</u>

The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method and totaled \$33,129 and \$34,351 for 2007 and 2006, respectively.

NOTE 5 - BENEFIT FROM GOVERNMENTAL UNITS

	<u>2007</u>	<u>2006</u>
Cash Received:		
Animal control - City of Kokomo	\$280,000	\$270,833
Animal control - Howard County	164,806	158,467
Animal control - City of Greentown	1,098	330
Animal control - City of Windfall	--	531
Animal control - City of Russiaville	570	405
Animal control - City of Tipton	5,167	3,717
Animal control - City of Sharpsville	390	105
Animal control - City of Kempton	<u>75</u>	<u>276</u>
Total Benefit from Governmental Units	<u>\$452,106</u>	<u>\$434,664</u>

The Kokomo Humane Society, Inc. is substantially dependent upon the continuation of the annual contracts with the City of Kokomo and Howard County. No interruptions with these agreements are anticipated.

KOKOMO HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS
December 31, 2007 and 2006

NOTE 6 - PENSION PLAN

The Organization has a pension plan covering all employees with at least one year of service who agree to make contributions to the pension plan. The Organization makes a contribution on behalf of each participant in the amount of 100% of the portion of the elective contribution which does not exceed 3% of the participants' compensation. Total expense for the years ending December 31, 2007 and 2006 were \$7,821 and \$7,263.

NOTE 7 - BOARD DESIGNATED ASSETS

The Organization designated \$90,000 of their investment funds to be held in reserve. The income from this fund may be used for operating expenses, but the principal portion can only be used in emergency situations.

NOTE 8 - RELATED PARTY ACTIVITIES

The Organization paid \$17,328 and \$21,900 for veterinarian, neutering and immunization services to one member of the Board of Directors in 2007 and to two members in 2006, respectively. No amounts were due to either related party at December 31, 2007 or 2006.

NOTE 9 - SUMMARIZED PRIOR YEAR INFORMATION

The financial statements include summarized comparative information from the prior year, which is not presented by net class and does not include sufficient detail to conform with other comprehensive basis of accounting principles. This information should be read in conjunction with the financial statements for the year ended December 31, 2006, from which the comparative information is extracted.

NOTE 10 - PROGRAM FEES

Beginning in 2007, management elected to classify all fees collected relating to the adoption of an animal as program fee income. Previously these fees were classified as donations, license fees and recovery of neutering and immunization income. For the 2007 financial statements, all program fees have been classified as such. It is impracticable to determine all the program fee income for 2006.