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June 17, 2009

Board of Directors
Henry County Humane Society, Inc.
P.O. Box 1153
New Castle, IN 47362

We have reviewed the audit report prepared by Whiting & Company, LLC, 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 Henry County 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

HENRY COUNTY HUMANE SOCIETY, INC.

NEW CASTLE, INDIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2007



WHITINGER & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Henry County Humane Society, Inc.
New Castle, Indiana

We have audited the accompanying statement of financial position of Henry County Humane Society, Inc. as of December 31, 2007, and the related statements of activities and cash flows for the year 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 audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. 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 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 audit provides 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 Henry County Humane Society, Inc. as of December 31, 2007, and the results of its operations, cash flows, and changes in net assets for the year then ended.

Whitinger & Company LLC

Certified Public Accountants

September 25, 2008

FINANCIAL STATEMENTS

HENRY COUNTY HUMANE SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2007

	Animal Shelter Operating Fund	Capital Fund	General Fund	Maxson Memorial Fund	Total Unrestricted
ASSETS					
CURRENT ASSETS					
Cash and savings	\$ 7,816		\$ 10,614	\$ 32	\$ 18,462
Investments (Note 3)			233,812		233,812
	<u>\$ 7,816</u>	<u>\$ -</u>	<u>\$ 244,426</u>	<u>\$ 32</u>	<u>\$ 252,274</u>
LAND, BUILDING, AND EQUIPMENT					
Land and building		\$ 224,529			\$ 224,529
Accumulated depreciation		(134,337)			(134,337)
Equipment	\$ 62,522	19,238			81,760
Accumulated depreciation	(28,400)	(18,445)			(46,845)
Vehicles		56,762			56,762
Accumulated depreciation		(37,180)			(37,180)
	<u>\$ 34,122</u>	<u>\$ 110,567</u>			<u>\$ 144,689</u>
 Total Assets	 <u>\$ 41,938</u>	 <u>\$ 110,567</u>	 <u>\$ 244,426</u>	 <u>\$ 32</u>	 <u>\$ 396,963</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 1,141		\$ 2,545		\$ 3,686
Payroll withholdings	3,613				3,613
Accrued payroll	3,179				3,179
	<u>\$ 7,933</u>		<u>\$ 2,545</u>		<u>\$ 10,478</u>
NET ASSETS					
Net assets - unrestricted	<u>34,005</u>	<u>\$ 110,567</u>	<u>\$ 241,881</u>	<u>\$ 32</u>	<u>386,485</u>
 Total Liabilities and Net Assets	 <u>\$ 41,938</u>	 <u>\$ 110,567</u>	 <u>\$ 244,426</u>	 <u>\$ 32</u>	 <u>\$ 396,963</u>

HENRY COUNTY HUMANE SOCIETY, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2007

	Animal Shelter Operating Fund	Capital Fund	General Fund	Maxson Memorial Fund	Total Unrestricted
SUPPORT AND REVENUE					
Memberships			\$ 2,875		\$ 2,875
Donations and bequests	\$ 14,103		4,390	\$ 1,252	19,745
Investment income			20,222		20,222
Government agency fees	194,923				194,923
Shelter fees	44,316				44,316
Other	136		46		182
	<u>\$ 253,478</u>	<u>\$ -</u>	<u>\$ 27,533</u>	<u>\$ 1,252</u>	<u>\$ 282,263</u>
EXPENSES					
Payroll expense	\$ 145,052				\$ 145,052
Payroll taxes	14,870				14,870
Training and education	540				540
Utilities and telephone	18,935				18,935
Insurance	6,596		\$ 234		6,830
Vehicles	14,433				14,433
Supplies	14,206		609		14,815
Miscellaneous	3,531				3,531
Equipment rental	1,101				1,101
Postage	818		324		1,142
Advertising and promotion	1,623				1,623
Office expenses	1,951				1,951
Euthanasia and disposal expense	2,696				2,696
Vet fees	11,890		242	\$ 3,386	15,518
Repairs and maintenance	2,072		336		2,408
Small equipment	3,945				3,945
Professional fees	935		2,545		3,480
Depreciation expense	3,886	\$ 19,875			23,761
	<u>\$ 249,080</u>	<u>\$ 19,875</u>	<u>\$ 4,290</u>	<u>\$ 3,386</u>	<u>\$ 276,631</u>
NET OPERATING SURPLUS (DEFICIT)	<u>\$ 4,398</u>	<u>\$ (19,875)</u>	<u>\$ 23,243</u>	<u>\$ (2,134)</u>	<u>\$ 5,632</u>
UNREALIZED INVESTMENT LOSS			(1,254)		(1,254)
CHANGE IN NET ASSETS	<u>\$ 4,398</u>	<u>\$ (19,875)</u>	<u>\$ 21,989</u>	<u>\$ (2,134)</u>	<u>\$ 4,378</u>
TRANSFERS	23,991	3,695	(29,021)	1,335	-
BEGINNING NET ASSETS	<u>5,616</u>	<u>126,747</u>	<u>248,913</u>	<u>831</u>	<u>382,107</u>
ENDING NET ASSETS	<u>\$ 34,005</u>	<u>\$ 110,567</u>	<u>\$ 241,881</u>	<u>\$ 32</u>	<u>\$ 386,485</u>

See accompanying Notes to Financial Statements.

HENRY COUNTY HUMANE SOCIETY, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from public support	\$ 22,620
Cash received from shelter fees and other income	239,421
Investment income	20,222
Cash paid to suppliers and employees	<u>(250,748)</u>

Net Cash Provided By Operating Activities \$ 31,515

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	\$ (4,895)
Purchase of investments	<u>(16,212)</u>

Net Cash Used In Investing Activities (21,107)

CHANGE IN CASH AND CASH EQUIVALENTS

\$ 10,408

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

8,054

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 18,462

RECONCILIATION OF CHANGE IN NET ASSETS TO NET
CASH PROVIDED BY OPERATING ACTIVITIES

CHANGE IN NET ASSETS

\$ 4,378

**ADJUSTMENT TO RECONCILE CHANGE IN NET ASSETS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Depreciation	\$ 23,761
Market loss on investments	1,254

Changes in liabilities

Increase in payables	1,615
Increase in accrued expenses	<u>507</u>

27,137

NET CASH PROVIDED BY OPERATING ACTIVITIES

\$ 31,515

CASH AND CASH EQUIVALENTS CONSIST OF

Animal shelter - operating	\$ 7,816
General	10,614
Maxson Memorial	<u>32</u>

\$ 18,462

HENRY COUNTY HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Henry County Humane Society, Inc. was organized for the prevention of cruelty to animals and the promotion of kindness to animals in Henry County, Indiana. The Society is supported primarily through adoption, reclaiming, and spay/neuter fees as well as contracts with local government agencies. In 2007, contract income was received from the City of New Castle totaling 29% of support and revenue. In the same period, contract income was also received from Henry County and Delaware County, which totaled 17% and 15%, respectively, of support and revenue.

Property and Equipment

It is the Society's policy to capitalize property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Society reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Board-Designated Funds

The financial statements include all funds of Henry County Humane Society, Inc. A brief description of each board-designated fund follows:

General Fund - The General Fund is the primary operating fund for the Humane Society operation as distinguished from the Animal Shelter. It consists of a checking account, which also contains the Spay/Neuter Fund, the Maxson Memorial Fund, and the Assistance Fund.

Animal Shelter Operating Fund - The Animal Shelter Operating Fund consists of a checking account from which all operating receipts and disbursements are accounted for.

Maxson Memorial Fund - The Maxson Memorial Fund is contained in the same checking account as the General Fund and the Spay/Neuter Fund. Money is acquired by special designation by donors, quite often as a memorial for their pets. The fund is used for the care of injured animals.

HENRY COUNTY HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

1. **BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES** (continued)

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Financial Statement Presentation

The Society has adopted *Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations*. Under *SFAS No. 117*, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Society is required to present a statement of cash flows. As permitted by the statement, the Society does not use fund accounting.

Contributions and Public Support

The Society has also adopted *SFAS No. 116, Accounting for Contributions Received and Contributions Made*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Society considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

The Society has adopted *SFAS No. 124, Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under *SFAS No. 124*, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

2. **BASIS OF ORGANIZATION**

Henry County Humane Society, Inc. was incorporated on September 18, 1989, and is a non-profit organization that is exempt from income taxes under *Section 501(c)(3)* of the *Internal Revenue Code* and classified by the Internal Revenue Service as other than a private foundation.

HENRY COUNTY HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

3. INVESTMENTS

Investments are stated at fair value and consist of mutual funds. Fair values and unrealized appreciation at December 31, 2007, are summarized as follows:

	Cost	Unrealized Appreciation	Fair Value
Available-for-Sale			
Mutual funds:			
Capital Income Builder	\$ 40,310	\$ 13,996	\$ 54,306
Capital World Growth & Income	16,108	9,009	25,117
Income Fund of America	18,686	1,617	20,303
Smallcap World Fund	4,362	2,355	6,717
BancOne Growth & Income	113,161	14,208	127,369
	\$ 192,627	\$ 41,185	\$ 233,812

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2007:

Interest income	\$ 20,222
Net unrealized loss	(1,254)
Total investment income	\$ 18,968

4. FEES - GOVERNMENT AGENCIES

Fees received from government agencies consisted of the following:

City of New Castle	\$ 82,420
Henry County	49,078
Delaware County	42,000
Town of Dunreith	1,280
Town of Kennard	1,665
Town of Knightstown	4,813
Town of Middletown	6,200
Town of Mooreland	2,560
Town of Spiceland	2,200
Town of Springport	1,382
Town of Straughn	1,280
Town of Sulphur Springs	1,280
	\$ 196,158

HENRY COUNTY HUMANE SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS

5. **DONATED SERVICES**

During the year ended December 31, 2007, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization, but their services do not meet the criteria for recognition as contributed services.