

**West Suburban Humane Society  
Audit Report  
For the Year Ended December 31, 2014**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
West Suburban Humane Society  
Downers Grove, Illinois

We have audited the accompanying financial statements of **West Suburban Humane Society** which comprise the Statement of Financial Position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 West Suburban Humane Society as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Seiden Fox, Ltd.*

June 25, 2015

**West Suburban Humane Society**  
**Statement of Financial Position**  
**December 31, 2014**

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**Assets**

Cash	\$ 569,461
Prepaid expenses and other	10,222
Certificates of deposit	8,513
Investments	1,930,821
Property and equipment at cost	
less accumulated depreciation of \$172,469	601,708
Beneficial interest in assets held by others	343,812
	<hr/>
<b>Total assets</b>	<b>\$ 3,464,537</b>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable	\$ 11,311
Accrued expenses	2,931
	<hr/>
<b>Total liabilities</b>	<b>14,242</b>
Unrestricted net assets	3,450,295
	<hr/>
<b>Total liabilities and net assets</b>	<b>\$ 3,464,537</b>

See accompanying notes.

**West Suburban Humane Society**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Adoption fees	\$ 82,187	\$ -	\$ 82,187
Events	103,258	-	103,258
Newsletter and mail appeals	74,151	-	74,151
Contributions	185,757	-	185,757
Bequests	495,687	-	495,687
Interest income	413	-	413
Investment gains and losses	109,016	-	109,016
	<u>1,050,469</u>	-	<u>1,050,469</u>
Net assets released from restrictions	123,483	(123,483)	-
<b>Total revenues</b>	<u>1,173,952</u>	<u>(123,483)</u>	<u>1,050,469</u>
Expenses:			
Program services	415,040	-	415,040
Management and general	95,444	-	95,444
Fund-raising	143,566	-	143,566
<b>Total expenses</b>	<u>654,050</u>	-	<u>654,050</u>
<b>Change in net assets</b>	<u>519,902</u>	<u>(123,483)</u>	<u>396,419</u>
Net assets:			
Beginning of the year, as previously reported	2,941,536	-	2,941,536
Restatement	(11,143)	123,483	112,340
Beginning of the year, as restated	<u>2,930,393</u>	<u>123,483</u>	<u>3,053,876</u>
End of the year	<u>\$ 3,450,295</u>	<u>\$ -</u>	<u>\$ 3,450,295</u>

See accompanying notes.

**West Suburban Humane Society  
Statement of Functional Expenses  
For the Year Ended December 31, 2014**

	Program Services	Management and General	Fund-raising	Total
Expenses:				
Salaries	\$ 138,106	\$ 32,859	\$ 57,548	\$ 228,513
Payroll taxes	10,305	2,240	2,389	14,934
Benefits	485	583	586	1,654
Administration	3,903	1,472	717	6,092
Advertising	1,654	1,211	2,620	5,485
Animal costs	3,652	-	-	3,652
Animal supplies	10,888	-	-	10,888
Animal training	8,529	-	-	8,529
Bank service fees	-	5,245	-	5,245
Boarding expense	2,971	-	-	2,971
Depreciation	10,157	873	1,625	12,655
Dues and subscriptions	756	2,075	383	3,214
Events and newsletters	-	245	64,366	64,611
Fees and licenses	-	2,116	-	2,116
Food	20,331	-	-	20,331
Insurance	4,319	9,135	1,001	14,455
Internet	1,933	-	-	1,933
Medical supplies	35,996	-	-	35,996
Office and building maintenance	11,924	1,853	376	14,153
Office supplies	2,979	2,638	1,724	7,341
Professional fees	-	29,793	7,798	37,591
Sales tax	-	1,699	-	1,699
Spay and neuter	22,660	-	-	22,660
Utilities	20,670	1,407	2,433	24,510
Veterinary care	100,779	-	-	100,779
Volunteer education	2,043	-	-	2,043
<b>Total expenses</b>	<b>\$ 415,040</b>	<b>\$ 95,444</b>	<b>\$ 143,566</b>	<b>\$ 654,050</b>

See accompanying notes.

**West Suburban Humane Society**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 396,419
Adjustments to reconcile change in net assets to net cash from operating activities:	
Net gain on investments	(94,538)
Donated stock	(2,349)
Investment fees	18,416
Depreciation	12,655
Change in beneficial interest in assets held by others	(10,168)
Changes in operating assets and liabilities:	
Prepaid expenses and other	(10,222)
Bequests received	123,483
Accounts payable and accrued expenses	(4,514)
<b>Net cash from operating activities</b>	<b>429,182</b>
 <b>Cash flows from investing activities:</b>	
Proceeds from certificates of deposit	105,749
Purchase of investments	(393,210)
Purchase of furniture, equipment and improvements	(7,442)
<b>Net cash from investing activities</b>	<b>(294,903)</b>
 <b>Cash flows from financing activities:</b>	
Payoff of capital lease obligation	(3,383)
<b>Net cash from financing activities</b>	<b>(3,383)</b>
<b>Net change in cash</b>	<b>130,896</b>
 <b>Cash:</b>	
Beginning of the year, as previously reported	449,708
Restatement	(11,143)
Beginning of the year, as restated	438,565
End of the year	\$ 569,461

See accompanying notes.

## West Suburban Humane Society Notes to the Financial Statements

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### 1. Summary of Significant Accounting Policies

**Organization and Purpose** – West Suburban Humane Society (Shelter) is an animal shelter, first incorporated in 1973, that provides animals with shelter, food and veterinary care. The Shelter's purpose is to operate as a no-kill animal shelter that finds permanent homes for cats and dogs in its care. Within this role, it has programs that educate the public on spaying and neutering and encourage the charitable treatment and care of animals.

**Basis of Accounting** – The Shelter maintains its accounts on the accrual basis in accordance with generally accepted accounting principles. The Shelter classifies net assets and transactions into three classes:

**Permanently Restricted Net Assets** – Net assets restricted by donors to be maintained by the Shelter in perpetuity.

**Temporarily Restricted Net Assets** – Net assets subject to donor imposed stipulations that may or will be met by actions of the Shelter or the passage of time.

**Unrestricted Net Assets** – Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received, or as soon as the promise becomes unconditional. Subsequent adjustments to the fair value are recognized as public support consistent with the initial recording of the gift. Bequests are considered unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable. Intentions to give which are not legally enforceable are recorded as contribution revenue when collected.

The Shelter did not have any temporarily restricted or permanently restricted net assets at December 31, 2014.



**West Suburban Humane Society**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Use of Estimates** – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

A significant estimate used in the preparation of these financial statements includes investments being recorded at fair value, for which the ultimate realization of the investments is based upon future economic factors related to investments. It is reasonably possible that the recorded amount or related disclosures could significantly change in the near future as new information is available.

**Fair Value Measurements** – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is categorized in three levels based on the reliability of observable inputs as follows:

**Level 1** – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Shelter has the ability to access at the measurement date.

**Level 2** – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

**Level 3** – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for investments measured at fair value, including the beneficial interest in assets held by others, as well as the general classification of such investments pursuant to the valuation hierarchy.

Mutual funds, equities, common stock and money market mutual funds are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy.

The fair value of the beneficial interest in assets held by others is based on a percentage interest of the underlying assets held. Accordingly, these assets are categorized in Level 2 of the fair value hierarchy.

**West Suburban Humane Society**  
**Notes to the Financial Statements (cont'd)**

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**1. Summary of Significant Accounting Policies (cont'd)**

**Cash and Cash Equivalents** – For the purpose of the statement of cash flows, the Shelter considers all cash on hand in banks to be cash equivalents. Money market funds at brokerages are considered investments.

**Certificates of Deposit** – Consist of certificates of deposit at financial institutions with original maturities of over three months, which are recorded at cost plus accrued interest.

**Property and Equipment** – Items are capitalized at cost if purchased or constructed, or at fair value if contributed. Depreciation of buildings and equipment is provided by the straight-line method over the estimated useful life of the assets.

**Donated Services** – A substantial number of volunteers have donated significant amounts of time toward the program activities of the Shelter, however, no amount has been reflected in the financial statements. These services did not satisfy the criteria for recognition under generally accepted accounting principles.

**Income Taxes** – The Shelter is tax exempt under Section 501(c)(3) of the Internal Revenue Code, except for income not related to its exempt purpose. The Shelter had no income unrelated to its exempt purpose. Accordingly, no provision for income taxes has been provided for in the financial statements. The Shelter's federal and state tax returns for the years ended December 31, 2011 through 2013 remain subject to examination.

**Subsequent Events** – Subsequent events have been evaluated through June 25, 2015, which is the date the financial statements were available to be issued.

**2. Investments**

Investments in mutual funds are held at a single investment brokerage firm. Investments are reported at fair value and consist of the following at December 31:

	<u>2014</u>
Mutual funds:	
Money market	\$ 38,541
Domestic equity	750,998
Asset allocation	367,479
Domestic fixed income	675,915
International fixed income	95,539
Common stock	<u>2,349</u>
	<u>\$ 1,930,821</u>

**West Suburban Humane Society**  
**Notes to the Financial Statements (cont'd)**

**2. Investments (cont'd)**

Fair values of investments measured on a recurring basis at December 31, 2014 are as follows:

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 1,928,472	\$ -	\$ -	\$ 1,928,472
Common stock	2,349	-	-	2,349
	\$ 1,930,821	\$ -	\$ -	\$ 1,930,821

**3. Property and Equipment**

Property and equipment consist of the following at December 31, 2014:

Land	\$ 523,684
Building and improvements	231,920
Equipment	18,573
	774,177
Less accumulated depreciation	(172,469)
	\$ 601,708

Depreciation expense totaled \$12,655 for the year ended December 31, 2014.

**4. Beneficial Interest in Assets Held by Others – DuPage Community Foundation**

The Shelter established an Agency Fund (Fund) in 2013 with the DuPage Community Foundation (Foundation) to strengthen the future of the Shelter. The Fund was created with an original gift of \$300,000. The Board of Directors designates the use of the monies in the Agency Fund. The intent of the Board is to maintain the original gift in perpetuity and only draw on earnings. The Shelter understands that the Foundation's Board of Trustees shall have ultimate control over the assets deposited in the Fund, excepting and providing that if the Shelter's Board determines that it is in the Shelter's best interest, it may elect to withdraw any funds transferred to the Foundation upon written notice, not less than three months in advance of the date needed.

The Fund had a balance of \$343,812 at December 31, 2014. Net earnings on the Fund for 2014 were \$10,168.

The DuPage Community Foundation maintains an investment pool for all its funds which consists primarily of marketable equity securities (common stock and mutual funds), fixed income securities, funds of hedge funds, real estate funds and commodity funds. No specific securities are designated for a specific fund. Realized gains/losses, unrealized gains/losses, and dividend and interest income net of fees are divided monthly on a prorated basis across all funds of the Foundation.

**West Suburban Humane Society**  
**Notes to the Financial Statements (cont'd)**

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**5. Concentration of Credit Risk**

The Shelter maintains cash and certificates of deposit with various financial institutions. The Shelter periodically has deposits in excess of federally insured limits. The Shelter has not experienced any loss in such accounts. At December 31, 2014, the Shelter's uninsured cash balances totaled \$345,691. The Shelter believes it is not exposed to any significant credit risk on its cash and deposits.

**6. Operating Lease**

The Shelter has entered into a 60-month operating lease for office equipment payable in monthly installments of \$167, expiring in June 2019. Future minimum lease payments under the lease are as follows:

2015	\$	2,004
2016		2,004
2017		2,004
2018		2,004
2019		<u>1,002</u>
	\$	<u>9,018</u>

Rental expense under this agreement for the year ended December 31, 2014 was \$1,320.

**7. Concentration of Revenue Source**

The Shelter received \$407,650 of bequest revenue from one individual's estate for the year ended December 31, 2014.

**8. Development Agreement**

During 2014, the Shelter entered into a contract with an individual to perform development and fund-raising services. Expense recognized under this agreement was \$4,327 in 2014. The agreement ends in November 2015, and \$40,673 is expected to be expensed in 2015.

**9. Restatement**

The Shelter regularly receives distributions from wills and estates. During 2014, the Shelter determined that a bequest receivable should have been recorded in the prior year. The correction increased prior year temporarily restricted net assets by \$123,483. Approximately 80% of the bequest was received in January 2014 with the balance received in July 2014. The Shelter also became aware of an error in the bank reconciliation for December 31, 2013 and determined revenue had been improperly recognized in a prior year. The correction decreased prior year unrestricted net assets by \$11,143. The cumulative effect of these adjustments increased net assets by \$112,340 at December 31, 2013.

**West Suburban Humane Society**  
**Notes to the Financial Statements (cont'd)**

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**10. Related Parties**

In 2014, the Shelter incurred expenses of \$18,448 for veterinary care received from an animal hospital owned by a member of the Board. These services were provided at a cost that was similar or below the cost of services obtained elsewhere.

**11. Subsequent Events**

During 2015, the Shelter signed a contract with a firm to provide architectural and engineering services related to the design of a new building. The expected cost of these services is approximately \$195,000. Expenditures under this contract will be approved and expended in stages over the next several years.