

POTSDAM HUMANE SOCIETY, INC.

SHELTER EXPANSION PROJECT

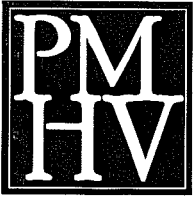
**REPORT ON STATEMENT OF CASH RECEIPTS
AND DISBURSEMENTS
AND SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS AND COMPLIANCE REPORTS
DECEMBER 14, 2011**

POTSDAM HUMANE SOCIETY, INC.

SHELTER EXPANSION PROJECT

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**REPORT ON
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Potsdam Humane Society, Inc.

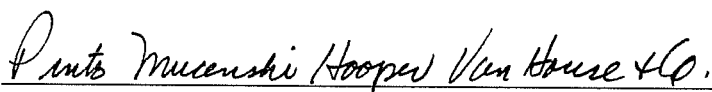
We have audited the accompanying statement of cash receipts and disbursements and schedule of expenditures of federal awards for the Potsdam Humane Society, Inc. - Shelter Expansion Project for the period ended December 14, 2011. These financial statements are the responsibility of the Potsdam Humane Society, Inc.'s management. Our responsibility is to express an opinion on the financial statements of the program based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

As described in Note 1, the financial statements have been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the statement of cash receipts and disbursements and the schedule of expenditures of federal awards, referred to above, present fairly, in all material respects, the cash receipts and disbursements and the expenditures of federal awards under the Shelter Expansion Project for the period ended December 14, 2011, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2012 on our consideration of the Potsdam Humane Society, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of the audit.


Certified Public Accountants, P.C.

August 14, 2012

POTSDAM HUMANE SOCIETY, INC.

SHELTER EXPANSION PROJECT

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE PERIOD APRIL 23, 2009 - DECEMBER 1, 2011

| | | | |
|-------------------------------|----|----------------|------------------|
| BEGINNING CASH BALANCE | | \$ | - |
| PROJECT COSTS: | | | |
| Construction Contracts | \$ | 871,670 | |
| Architectural and Technical | | 112,300 | |
| Administrative | | 16,412 | |
| Legal and Professional Fees | | 6,977 | |
| Debt Payments | | <u>515,597</u> | |
| Total Project Costs | | | 1,522,956 |
| PAYMENTS TO DATE: | | | |
| Capital Campaign Donations | \$ | 501,016 | |
| USDA Loan | | 431,940 | |
| USDA Grant | | 90,000 | |
| Interim Financing | | <u>500,000</u> | |
| Total Payments to Date | | | <u>1,522,956</u> |
| ENDING CASH BALANCE | | \$ | <u><u>-</u></u> |

The accompanying notes are an integral part of these financial statements.

POTSDAM HUMANE SOCIETY, INC.

SHELTER EXPANSION PROJECT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

| <u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR PROGRAM TITLE</u> | <u>FEDERAL CATALOG NUMBER</u> | <u>AGENCY OR PASS-THROUGH NUMBER</u> | <u>FEDERAL EXPENDITURES</u> |
|--|---------------------------------------|--|---------------------------------|
| UNITED STATES DEPARTMENT OF AGRICULTURE - Rural Development | | | |
| Community Facilities Loans and Grants | 10.766 | USDA Rural Development | \$ <u>521,940</u> |

**POTSDAM HUMANE SOCIETY, INC.
SHELTER EXPANSION PROJECT**

**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
PERIOD ENDED DECEMBER 14, 2011**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Potsdam Humane Society, Inc. – Shelter Expansion Project under programs of the federal government for the period ended December 14, 2011. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Potsdam Humane Society, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Potsdam Humane Society, Inc.

The accompanying Statement of Cash Receipts and Disbursements has been prepared on the cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under that basis, the only asset recognized is cash, and no liabilities are recognized. All transactions related to the Society's participation in the Shelter Expansion Project are recognized as either cash receipts or disbursements. Noncash transactions are not recognized in the statement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – MAJOR PROGRAM DETERMINATION

The Potsdam Humane Society, Inc. has determined that all its federal programs with expenditures greater than \$ 300,000 are Type A Programs and are deemed Major Programs.

NOTE 4 – DESCRIPTION OF PROJECT

The Potsdam Humane Society, Inc. received a \$ 20,000 grant, a \$ 70,000 grant, and a \$ 431,940 loan from the United States Department of Agriculture Rural Development. The loan will be paid off over 31 years at a 3.75% interest rate.

The Potsdam Humane Society, Inc. also received a Line of Credit of \$ 500,000 from Community Bank, NA. The Line of Credit was paid off December 14, 2011 as part of a financing agreement with the United States Department of Agriculture Rural Development.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON THE FEDERAL PROGRAM AND ON INTERNAL CONTROL OVERCOMPLIANCE
IN ACCORDANCE WITH THE PROGRAM-SPECIFIC AUDIT OPTION
UNDER OMB CIRCULAR A-133**



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Board of Directors
Potsdam Humane Society, Inc.

Compliance

We have audited the Potsdam Humane Society, Inc.'s compliance with the types of compliance requirements described in OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Potsdam Humane Society, Inc.'s major federal programs for the year ended December 14, 2011. Potsdam Humane Society, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Potsdam Humane Society, Inc.'s management. Our responsibility is to express an opinion on the Potsdam Humane Society, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the federal program occurred. An audit includes examining, on a test basis, evidence about the Potsdam Humane Society, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Potsdam Humane Society, Inc.'s compliance with those requirements.

In our opinion, the Potsdam Humane Society, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Shelter Expansion Project for the period ended December 14, 2011.

Internal Control Over Compliance

Management of the Potsdam Humane Society, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Potsdam Humane Society, Inc.'s internal control over compliance with requirements that could have a direct and material effect on its Shelter Expansion Project to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Potsdam Humane Society, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Potsdam Humane Society, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Potsdam Humane Society, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information of use of management, Board of Directors, others within the entity, USDA – Rural Development, the federal awarding agency, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants, P.C.

August 14, 2012

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**POTSDAM HUMANE SOCIETY, INC.
SHELTER EXPANSION PROJECT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
PERIOD ENDED DECEMBER 14, 2011**

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Potsdam Humane Society, Inc. – Shelter Expansion Project.
2. No instances of noncompliance material to the financial statements of the Potsdam Humane Society, Inc. – Shelter Expansion Project were disclosed during the audit.
3. The auditors' report on compliance for the Shelter Expansion Project expresses an unqualified opinion.
4. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
5. The programs tested as major programs include: the Shelter Expansion Project, CFDA #10.766.
6. The threshold used for distinguishing between Type A and B programs was \$ 300,000.
7. The Potsdam Humane Society, Inc. – Shelter Expansion Project did not qualify as a low-risk auditee.

B. FINDINGS AND QUESTIONED COSTS

None

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

**POTSDAM HUMANE SOCIETY, INC.
SHELTER EXPANSION PROJECT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
PERIOD ENDED DECEMBER 14, 2011**

There were no prior audit findings relating to federal awards.