

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Midland County Humane Society
Midland, Michigan

We have audited the accompanying financial statements of Midland County Humane Society, doing business as Humane Society of Midland County (a non-profit corporation), which comprise the statement of financial position as of December 31, 2016, and the related statement 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 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 the Midland County Humane Society as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

McMahan, Thomson & Associates, P.C.

August 1, 2017

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2016

ASSETS

Current Assets

Cash and cash equivalents	\$ 320,575
Prepaid expenses	<u>3,508</u>

Total Current Assets	<u>324,083</u>
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Net Property & Equipment

195,003

Other Assets

Investments	<u>21,003</u>
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Total Other Assets	<u>21,003</u>
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TOTAL ASSETS	<u><u>\$ 540,089</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 12,703
Accrued expenses & other liabilities	<u>16,970</u>

Total Current Liabilities	<u>29,673</u>
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TOTAL LIABILITIES	<u>29,673</u>
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Net Assets

Unrestricted net assets	<u>510,416</u>
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Total Net Assets	<u>510,416</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 540,089</u></u>
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See Notes to Financial Statements.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

UNRESTRICTED NET ASSETS

Support and Revenues

Contributions	\$ 295,183
Foundation grants	27,052
Membership fees	1,740
Program service fees	118,294
Contributions in-kind	90,449
Investment return	2,632
Interest income	154
Other	3,016
Net assets released from restriction	<u>30,000</u>

Total Support and Revenues **568,520**

Expenditures

Program services	479,642
Supporting services	
Management expenses	74,757
Fundraising expenses	<u>48,099</u>

Total Expenses **602,498**

CHANGE IN UNRESTRICTED NET ASSETS **(33,978)**

TEMPORARILY RESTRICTED NET ASSETS

Support and Revenues

Net assets released from restrictions

Satisfaction of donor restrictions	<u>(30,000)</u>
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Total net assets released from restrictions **(30,000)**

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS **(30,000)**

CHANGE IN NET ASSETS **(63,978)**

Net assets, beginning of year 574,394

Net assets, end of year **\$ 510,416**

See Notes to Financial Statements.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Expenses	Management & General	Fundraising	Total
Salaries and related costs				
Salaries & wages	\$ 192,587	\$ 49,870	\$	\$ 242,457
Payroll taxes	17,325	3,892		21,217
Total salaries and related costs	209,912	53,762		263,674
Operating expenses				
Advertising	559	827	1,277	2,663
Bank fees	123	3,004		3,127
Depreciation	11,991			11,991
Disposal fees	3,828			3,828
Donations		100		100
Dues, fees & subscriptions		175		175
Employee training	2,320	712		3,032
Fundraising			29,943	29,943
Insurance	8,932	527		9,459
IT support	2,300	179		2,479
Miscellaneous	810	1,201	300	2,311
Occupancy	31,296			31,296
Pet food	23,360			23,360
Printing & mailing	2,600	904	471	3,975
Professional fees	7,365	10,530	15,150	33,045
Repairs & maintenance	13,725	255		13,980
Spay/neuter expenses	78,204			78,204
Supplies	14,330	845	253	15,428
Telephone	2,372	270		2,642
Travel & meetings	3,204	411	705	4,320
Trustee expenses		1,055		1,055
Veterinarian supplies	43,004			43,004
Veterinarian fees	19,407			19,407
Total operating expenses	269,730	20,995	48,099	338,824
Total Expenses	\$ 479,642	\$ 74,757	\$ 48,099	\$ 602,498

See Notes to Financial Statements.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	<u>\$ (63,978)</u>
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	11,991
Unrealized (appreciation) depreciation on investments	(1,986)
Contributions of long lived assets	(52,000)
Decrease (Increase) in:	
Unconditional promises to give	30,000
Prepaid expenses	21,313
Increase (Decrease) in:	
Accounts payable	(6,121)
Accrued expenses & other liabilities	<u>2,433</u>
Total adjustments	<u>5,630</u>
Net Cash Provided (Used) by Operating Activities	<u>(58,348)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase equity securities	(646)
Purchase of property & equipment	<u>(23,787)</u>
Net Cash Provided (Used) by Investing Activities	<u>(24,433)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Net Increase (Decrease) in Cash and Cash Equivalents	(82,781)
Cash and Cash Equivalents at Beginning of Year	<u>403,356</u>
Cash and Cash Equivalents at End of Year	<u>\$ 320,575</u>

See Notes to Financial Statements.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATIONAL PURPOSE

The Midland County Humane Society, doing business as Humane Society of Midland County (the "Organization"), is a Michigan nonprofit corporation whose mission is to improve the lives of companion animals. The Organization operates an animal shelter in Midland County and offers services including adoptions, animal intake, lost and found, spay/neuter programs, and microchipping. Humane Society of Midland County is dedicated to promoting the compassionate treatment of animals within the community and finding permanent homes for lost, unwanted and abandoned animals.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization reports 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.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment additions are recorded at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-nine years. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of the donation. Investments are subsequently reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. Contributions are considered available for unrestricted use unless specifically restricted by the donor. 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 upon the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Materials and Services

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of goods and supplies are recorded at fair value at the date of donation. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. There were no contributed services received during the year ended December 31, 2016 that met the recognition criteria prescribed by generally accepted accounting principles.

Many volunteers have donated significant time to the Organization's programs, special events, and support services. These contributions in-kind are not reflected in the financial statements since these services do not meet the criteria for recognition.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code ("IRC") and therefore has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of IRC section 509(a).

The Organization adheres to the recognition requirements for uncertain tax positions as required by generally accepted accounting principles. Accordingly, income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and the State of Michigan. The Organization believes that 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 Organization's financial position, results of operations, or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2012.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Subsequent events were evaluated through August 1, 2017, which is the date the financial statements were available to be issued.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment is summarized as follows:

Land and building	\$ 186,005
Equipment	<u>54,972</u>
	240,977
Less accumulated depreciation	<u>(45,974)</u>
Net property and equipment	<u><u>\$ 195,003</u></u>

NOTE 4: INVESTMENTS

The following summarized the cost basis and fair value of investments.

	<u>Cost</u>	<u>Fair Value</u>
Equity securities	\$ 12,885	\$ 21,003

Investment return consisted of the following:

Dividends	\$ 646
Net unrealized gains (losses)	<u>1,986</u>
Total investment income (loss)	<u><u>\$ 2,632</u></u>

**MIDLAND COUNTY HUMANE SOCIETY
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NOTES TO FINANCIAL STATEMENTS

NOTE 5: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair values of assets measured on a recurring basis at December 31, 2016 were as follows:

	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)
Equity securities	\$ 21,003	\$ 21,003	\$	\$
Total	<u>\$ 21,003</u>	<u>\$ 21,003</u>	<u>\$</u>	<u>\$</u>

NOTE 6: ACCRUED EXPENSES & OTHER LIABILITIES

Accrued expenses at December 31, 2016 were as follows:

Accrued payroll	\$ 8,825
Payroll tax liabilities	<u>8,145</u>
Total accrued expenses & other liabilities	<u>\$ 16,970</u>

NOTE 7: LEASING ARRANGEMENTS

The Organization leases office equipment under a five year operating lease requiring total annual lease payments of \$1,167. Lease expense for office equipment was \$2,425 for the year ended December 31, 2016.

The minimum lease payments required under the above operating lease as of December 31, 2016 are as follows:

2017	\$ 1,167
2018	1,167
2019	<u>1,070</u>
Total minimum lease payments	<u>\$ 3,404</u>

**MIDLAND COUNTY HUMANE SOCIETY
D/B/A HUMANE SOCIETY OF MIDLAND COUNTY**

NOTES TO FINANCIAL STATEMENTS

NOTE 8: SUPPLEMENTAL CASH FLOW INFORMATION

The Organization had a noncash investing transaction related to the donation of the animal shelter during the year ended December 31, 2016 totaling \$52,000.

NOTE 9: RISKS & UNCERTAINTIES

The various investments in stocks, securities, mutual funds, and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements of the organization.