

BUSS & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
ANNUAL FINANCIAL REPORT
December 31, 2022

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
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December 31, 2022

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October 24, 2023

To the Board of Directors
Macomb County Humane Society
Utica, Michigan

Opinion

We have audited the accompanying financial statements of Macomb County Humane Society (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Macomb County Humane Society as of December 31, 2022 and 2021, and the changes in its net assets, functional expenses, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Macomb County Humane Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Macomb County Humane Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

To the Board of Directors
Macomb County Humane Society
October 24, 2023
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- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Macomb County Humane Society's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Macomb County Humane Society's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Respectfully,

BUSS & COMPANY, P.C.



Certified Public Accountants

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MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 197,352	\$ 274,176
Certificates of deposit	1,127,253	1,037,490
Receivables	5,219	5,219
Inventory	500	500
Prepaid expense	15,093	19,468
Investment - Merrill Lynch	5,297,044	6,514,422
Investment - Humane Society of Macomb Animal Clinic, Inc.	1,000	1,000
Property and equipment	<u>371,164</u>	<u>429,129</u>
 Total Assets	 <u>\$ 7,014,625</u>	 <u>\$ 8,281,404</u>
 <u>LIABILITIES:</u>		
Accounts payable	\$ 28,858	\$ 6,517
Accrued expenses	18,805	21,062
Note payable - Payroll Protection Program	-	-
Customer deposits	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>\$ 47,663</u>	 <u>\$ 27,579</u>
 <u>NET ASSETS:</u>		
Net assets without donor restrictions	\$ 6,966,962	\$ 8,253,825
Net assets with donor restrictions	<u>-</u>	<u>-</u>
 Total Net Assets	 <u>\$ 6,966,962</u>	 <u>\$ 8,253,825</u>
 Total Liabilities and Net Assets	 <u>\$ 7,014,625</u>	 <u>\$ 8,281,404</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
 STATEMENTS OF ACTIVITIES
 For The Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>UNRESTRICTED NET ASSETS:</u>		
Unrestricted revenues and gains:		
Donations	\$ 1,057,364	\$ 415,608
Sale of animals and merchandise	145,870	112,721
Requested euthanasia and private cremations	1,593	945
Rental income	-	12,000
Management fees	-	-
Investment income	(872,102)	1,174,533
Casual labor	-	-
PPP loan forgiveness	-	180,300
Miscellaneous	-	(1,134)
Total Unrestricted Revenues and Gains	<u>\$ 332,725</u>	<u>\$ 1,894,973</u>
Expenses:		
Program Services	\$ 1,370,536	\$ 1,250,145
Supporting Services:		
Management and general	245,224	222,343
Fund-raising	3,828	5,399
Total Expenses	<u>\$ 1,619,588</u>	<u>\$ 1,477,887</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (1,286,863)	\$ 417,086
NET ASSETS AT BEGINNING OF YEAR	<u>8,253,825</u>	<u>7,836,739</u>
NET ASSETS AT END OF YEAR	<u>\$ 6,966,962</u>	<u>\$ 8,253,825</u>

See accompanying notes to financial statements

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended December 31, 2022 and 2021

	2022				2021			
	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>AND</u> <u>GENERAL</u>	<u>FUND-</u> <u>RAISING</u>	<u>TOTAL</u>	<u>PROGRAM</u> <u>SERVICES</u>	<u>MANAGEMENT</u> <u>AND</u> <u>GENERAL</u>	<u>FUND-</u> <u>RAISING</u>	<u>TOTAL</u>
Compensation and related:								
Salaries and wages	\$ 699,903	\$ 15,547	\$ 2,221	\$ 717,671	\$ 677,213	\$ 23,757	\$ 3,394	\$ 704,364
Taxes - Payroll	54,295	1,206	172	55,673	51,200	1,796	257	53,253
Retirement contribution	32,207	715	102	33,024	36,070	1,265	181	37,516
Insurance:								
Workers' compensation	6,785	151	22	6,958	5,787	203	29	6,019
Employee	92,419	2,053	293	94,765	80,785	2,834	405	84,024
Sub-total	\$ 885,609	\$ 19,672	\$ 2,810	\$ 908,091	\$ 851,055	\$ 29,855	\$ 4,266	\$ 885,176
Accounting and legal	6,871	27,483	-	34,354	5,612	22,449	-	28,061
Automobiles and trucks	417	972	-	1,389	125	291	-	416
Casual labor	2,396	-	-	2,396	998	-	-	998
Depreciation	38,837	19,128	-	57,965	43,542	20,303	-	63,845
Disposal	10,026	-	-	10,026	8,051	-	-	8,051
Feed for shelter and farm animals	20,626	-	-	20,626	19,801	-	-	19,801
Advertising and promotion	-	-	-	-	-	-	-	-
Humane education	20,964	3,200	800	24,963	20,952	3,198	799	24,949
Insurance - General	12,483	6,148	-	18,631	10,012	4,931	-	14,943
Licenses and dues	-	250	-	250	-	415	-	415
Maintenance and repairs:								
Building	10,569	5,206	-	15,775	18,654	9,188	-	27,842
Equipment	8,271	4,074	-	12,345	4,702	2,316	-	7,018
Office supplies	35,283	32,892	217	68,392	54,210	50,536	334	105,080
Operating supplies	286,727	85,499	-	372,228	185,796	55,403	-	241,199
Postage	-	19,894	-	19,894	-	7,215	-	7,215
Public relations	9,826	9,825	-	19,651	4,728	4,727	-	9,455
Refunds	870	-	-	870	1,425	-	-	1,425
Telephone	1,489	1,489	-	2,978	2,812	2,812	-	5,624
Utilities:								
Electric	6,738	3,319	-	10,057	6,805	3,352	-	10,157
Heating fuel and gas	12,534	6,173	-	18,707	10,865	5,352	-	16,217
Total Expenses	\$ 1,370,536	\$ 245,224	\$ 3,828	\$ 1,619,588	\$ 1,250,145	\$ 222,343	\$ 5,399	\$ 1,477,887

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2022 and 2021

Exhibit 4

	<u>2022</u>	<u>2021</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (1,286,863)	\$ 417,086
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	57,965	63,845
(Gain) loss on sale of investments	814	(474,697)
Unrealized (gain) loss on investments	1,057,430	(368,288)
(Increase) decrease in operating assets:		
Receivables	-	-
Prepaid expenses	4,375	(4,468)
Increase (decrease) in operating liabilities:		
Accounts payable	22,342	(13,093)
Accrued expenses	(2,257)	8,262
Customer deposits	-	-
Net Cash (Used By) Provided By Operating Activities	<u>\$ (146,194)</u>	<u>\$ (371,353)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net change in investments	\$ 159,133	\$ 623,573
Net change in certificates of deposit	(89,763)	(104,752)
Payments for property and equipment	-	-
Net Cash (Used By) Provided By Investing Activities	<u>\$ 69,370</u>	<u>\$ 518,821</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Note payable - Payroll Protection Program	\$ -	\$ (180,300)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (76,824)	\$ (32,832)
BEGINNING CASH AND CASH EQUIVALENTS	<u>274,176</u>	<u>307,008</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 197,352</u>	<u>\$ 274,176</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Macomb County Humane Society provides services for the welfare of homeless animals and wildlife from their one location in Utica, Michigan. Program services offered provide care and shelter for homeless and abused animals. In addition the Society provides adoption, educational and other program services. The Organization is supported primarily through donor contributions and bequests.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Contributed Services

During the years ended December 31, 2022 and 2021, 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 at their facility.

Estimates

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

Property and Equipment

Property and equipment, stated at cost, is depreciated over the estimated useful life of the assets using straight-line and accelerated methods. Following are the assets with their estimated useful lives:

<u>ASSETS</u>	<u>ESTIMATED USEFUL LIFE</u>
Buildings	15-32 years
Equipment	5-7 years
Land improvements	5-7 years
Vehicles	5 years

Depreciation expense was \$57,965 and \$63,845 for the years ended December 31, 2022 and 2021, respectively.

Advertising

All advertising costs are expensed as incurred since they relate to fund-raising drives for immediate financial assistance. No future benefit is derived from the events, so no costs are capitalized.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

As required by the Presentation of Financial Statements Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting, as it is not a necessary part of external financial reporting.

Contributions

Contributions received are recorded as without or with donor restrictions, as required by the Revenue Recognition Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities (none). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization is no longer subject to examination of its Form 990 (Federal Return of Organization Exempt From Income Tax) filed for years before 2019.

Investments

As required by the Debt and Equity Securities Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification, 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. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

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

Inventory

Inventory consisted of supplies and is carried at lower of cost or market.

Functional Expenses

Expenses are reported in the statement of functional expenses. Costs are allocated between program services, management and general and fund raising. These allocations are provided by management based on reasonable estimates. Program services include the care and shelter of homeless and abused animals, the placement of same in qualified homes and educational efforts regarding the needs of this population.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2022

NOTE B - PROMISES TO GIVE

There were no unconditional promises to give for the years ended December 31, 2022 and 2021.

NOTE C - INVESTMENT SECURITIES - MARKETABLE SECURITIES

If management has the intent and the Organization has the ability at the time of purchase to hold securities until maturity or on a long-term basis, they are classified as investments and are carried at fair value based on quoted market prices for these or similar investments.

The following schedule summarizes the market value and cost of marketable securities for the years ended December 31, 2022 and 2021:

	<u>2022</u>		<u>2021</u>	
	<u>MARKET VALUE</u>	<u>COST BASIS</u>	<u>MARKET VALUE</u>	<u>COST BASIS</u>
Money Funds	\$ 87,756	\$ 87,756	\$ 231,847	\$ 231,847
Equities	1,626,820	1,472,228	1,405,850	1,044,980
Mutual Funds	3,139,092	2,838,189	4,067,019	3,006,012
Other Securities	443,376	532,725	809,706	532,121
Total Investment Securities	<u>\$ 5,297,044</u>	<u>\$ 4,930,898</u>	<u>\$6,514,422</u>	<u>\$ 4,814,960</u>

NOTE D - FAIR VALUE MEASUREMENTS

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the Organization prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable outputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The assets fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2022

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2022 and 2021 are as follows:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<u>DECEMBER 31, 2022</u>				
Money Market	\$ 87,756	\$ -	\$ -	\$ 87,756
Equities	1,626,820	-	-	1,626,820
Mutual Funds	3,139,092	-	-	3,139,092
Other securities	443,376	-	-	443,376
	<u>\$ 5,297,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,297,044</u>
<u>DECEMBER 31, 2021</u>				
Money Market	\$ 231,847	\$ -	\$ -	\$ 231,847
Equities	1,405,850	-	-	1,405,850
Mutual Funds	4,067,019	-	-	4,067,019
Other securities	809,706	-	-	809,706
	<u>\$ 6,514,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,514,422</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2022	2021
Land and land improvements	\$ 169,272	\$ 169,272
Building and improvements	932,169	932,169
Equipment	208,972	208,972
Automobiles	68,263	68,263
Computers	70,512	70,512
Computer software	14,850	14,850
Furniture and fixtures	10,296	10,296
	<u>\$ 1,474,334</u>	<u>\$ 1,474,334</u>
Less: Accumulated depreciation	<u>1,103,170</u>	<u>1,045,205</u>
Net Property and Equipment	<u>\$ 371,164</u>	<u>\$ 429,129</u>

(Continued)

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

NOTE F – NOTE PAYABLE – PAYROLL PROTECTION PROGRAM:

Funds payable to Flagstar Bank provided under the Federal Payroll Protection totaled \$180,300. The note was forgiven in total by the SBA in 2021.

NOTE G - INVESTMENT INCOME

The following is a summary of investment income:

	<u>2022</u> <u>UNRESTRICTED</u>	<u>2021</u> <u>UNRESTRICTED</u>
Interest and dividend income	\$ 186,142	\$ 331,548
Realized gain (loss) on sale of investments	(814)	474,697
Unrealized gain (loss) on investment valuation	(1,057,430)	368,288
Total Investment Income	<u>\$ (872,102)</u>	<u>\$ 1,174,533</u>

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization maintains marketable securities at a brokerage firm. The total marketable securities and cash equivalents, guaranteed by the Securities Investment Protection Corporation (SIPC) up to \$500,000, were \$5,297,044 and \$6,514,422 at December 31, 2022 and 2021, respectively.

The Organization maintains cash accounts at various banks. The total cash balance guaranteed by the Federal Depository Insurance Corporation (FDIC) was \$1,085,791 and \$1,077,533 at December 31, 2022 and 2021, respectively.

NOTE I - RELATED PARTY

The Organization wholly owns the Humane Society of Macomb Animal Clinic, Inc. Management has elected to record its investment at cost on the statement of financial position. During 2022 and 2021 the clinic paid the Organization for the following items:

	<u>2022</u>	<u>2021</u>
Rent	\$ -	\$ 12,000
Management fees	-	-

NOTE J - EMPLOYEE BENEFIT PLAN

The Organization has adopted a retirement plan covering substantially all of its employees. Independent parties have been selected to administer and act as trustees for the plan. The plan is a defined contribution plan, with all contribution amounts determined by management. Contributions to the plan were \$33,024 and \$37,516 for 2022 and 2021, respectively

(Continued)

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2022

NOTE K – LIQUIDITY DISCLOSURE

The Organization has \$6,622,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,325,000 and short-term investments of \$5,297,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately 270,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity, management of the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through October 24, 2023, which is the date the financial statements were available to be issued.