

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

MACOMB COUNTY HUMANE SOCIETY

Utica, Michigan

ANNUAL FINANCIAL REPORT

December 31, 2018

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
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INDEPENDENT AUDITOR'S REPORT

September 9, 2019

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

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, 2018 and 2017 and the related statements of activities, functional expenses, and cash flows for the years 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 qualified audit opinion.

Board of Trustees
Macomb County Humane Society
September 9, 2019
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Basis for Qualified Opinion

As stated in Note H Macomb County Humane Society accounts for its investment in a wholly-owned subsidiary on the cost basis. Accounting principles generally accepted in the United States of America require that parent and subsidiary corporations present their financial statements on a consolidated basis. The effect of this departure from generally accepted accounting principles in financial position and the changes in net assets and cash flows has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Macomb County Humane Society as of December 31, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully,

BUSS & COMPANY, P.C.


Certified Public Accountants

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MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
ASSETS:		
Cash and cash equivalents	\$ 339,476	\$ 225,316
Certificates of deposit	771,223	2,127,909
Receivables	5,219	5,219
Inventory	500	500
Prepaid expense	14,674	11,648
Investment - Merrill Lynch	5,718,159	6,109,284
Investment - Humane Society of Macomb Animal Clinic, Inc.	1,000	1,000
Property and equipment	<u>602,063</u>	<u>537,391</u>
 Total Assets	 <u>\$ 7,452,314</u>	 <u>\$ 9,018,267</u>
LIABILITIES:		
Accounts payable	\$ 3,743	\$ 2,059
Accrued expenses	15,280	12,506
Customer deposits	<u>-</u>	<u>16,988</u>
 Total Liabilities	 <u>\$ 19,023</u>	 <u>\$ 31,553</u>
NET ASSETS:		
Net assets without donor restrictions	\$ 7,433,291	\$ 8,986,714
Net assets with donor restrictions	<u>-</u>	<u>-</u>
 Total Net Assets	 <u>\$ 7,433,291</u>	 <u>\$ 8,986,714</u>
 Total Liabilities and Net Assets	 <u>\$ 7,452,314</u>	 <u>\$ 9,018,267</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF ACTIVITIES
 For The Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS:		
Unrestricted revenues and gains:		
Donations	\$ 249,253	\$ 538,809
Sale of animals and merchandise	89,919	60,533
Requested euthanasia and private cremations	5,944	6,967
Rental income	12,000	12,000
Management fees	27,479	-
Investment income	(338,021)	894,458
Casual labor	-	-
Miscellaneous	<u>15,749</u>	<u>33,880</u>
Total Unrestricted Revenues and Gains	<u>\$ 62,323</u>	<u>\$ 1,546,647</u>
Expenses:		
Program Services	\$ 1,327,522	\$ 1,019,617
Supporting Services:		
Management and general	278,383	235,689
Fund-raising	<u>9,841</u>	<u>10,844</u>
Total Expenses	<u>\$ 1,615,746</u>	<u>\$ 1,266,150</u>
 INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	 \$ (1,553,423)	 \$ 280,497
 NET ASSETS AT BEGINNING OF YEAR	 <u>8,986,714</u>	 <u>8,706,217</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 7,433,291</u>	 <u>\$ 8,986,714</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended December 31, 2018 and 2017

	2018				2017			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Compensation and related:								
Salaries and wages	\$ 680,293	\$ 44,952	\$ 3,966	\$ 729,211	\$ 495,796	\$ 39,739	\$ 3,506	\$ 539,041
Unemployment compensation	-	-	-	-	-	-	-	-
Taxes - Payroll	51,991	4,167	368	56,526	37,429	3,000	265	40,694
Retirement contribution	36,536	2,929	258	39,723	46,541	3,730	329	50,600
Insurance:								
Workers' compensation	3,875	311	27	4,213	4,066	326	29	4,421
Employee	42,712	3,423	302	46,437	31,282	2,507	221	34,010
Sub-total	\$ 815,407	\$ 55,782	\$ 4,921	\$ 876,110	\$ 615,114	\$ 49,302	\$ 4,350	\$ 668,766
Accounting and legal	5,500	22,000	-	27,500	4,003	16,014	-	20,017
Automobiles and trucks	450	1,049	-	1,499	188	440	-	628
Bad debts and non-sufficient fund checks	-	-	-	-	-	-	-	-
Casual labor	1,037	-	-	1,037	810	-	-	810
Depreciation	42,755	21,058	-	63,813	34,328	16,908	-	51,236
Disposal	9,589	-	-	9,589	8,864	-	-	8,864
Feed for shelter and farm animals	35,673	-	-	35,673	17,160	-	-	17,160
Advertising and promotion	-	-	2,818	2,818	-	-	4,740	4,740
Humane education	44,716	6,825	1,706	53,247	35,020	5,345	1,336	41,701
Intervention efforts	-	-	-	-	19,860	-	-	19,860
Insurance - General	9,268	4,565	-	13,833	6,954	3,425	-	10,379
Licenses and dues	-	110	-	110	-	349	-	349
Maintenance and repairs:								
Building	15,681	7,723	-	23,404	30,308	14,928	-	45,236
Equipment	3,999	1,970	-	5,969	230	114	-	344
Office supplies	64,190	59,840	396	124,426	67,821	63,225	418	131,464
Operating supplies	245,542	73,219	-	318,761	150,082	44,752	-	194,834
Postage	-	4,428	-	4,428	-	3,803	-	3,803
Public relations	4,752	4,751	-	9,503	3,937	3,937	-	7,874
Refunds	1,670	-	-	1,670	1,738	-	-	1,738
Telephone	3,192	3,192	-	6,384	3,389	3,390	-	6,779
Utilities:								
Electric	6,523	3,213	-	9,736	8,177	4,027	-	12,204
Heating fuel and gas	17,578	8,658	-	26,236	11,634	5,730	-	17,364
Total Expenses	\$ 1,327,522	\$ 278,383	\$ 9,841	\$ 1,615,746	\$ 1,019,617	\$ 235,689	\$ 10,844	\$ 1,266,150

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (1,553,423)	\$ 280,497
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	63,813	51,236
(Gain) loss on sale of investments	(165,851)	(42,780)
Unrealized (gain) loss on investments	936,039	(513,705)
(Increase) decrease in operating assets:		
Receivables	-	(4,135)
Prepaid expenses	(3,026)	(1,920)
Increase (decrease) in operating liabilities:		
Accounts payable	1,684	(4,031)
Accrued expenses	2,774	3,659
Customer deposits	(16,988)	(33,880)
	<u>\$ (734,978)</u>	<u>\$ (265,059)</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net change in investments	\$ (379,063)	\$ (280,430)
Net change in certificates of deposit	1,356,686	593,133
Payments for property and equipment	(128,485)	(155,931)
	<u>\$ 849,138</u>	<u>\$ 156,772</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ 114,160	 \$ (108,287)
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>225,316</u>	 <u>333,603</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 339,476</u>	 <u>\$ 225,316</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

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, 2018 and 2017, 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 \$63,813 and \$51,236 for the years ended December 31, 2018 and 2017, 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.

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MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

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 unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any 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 2015.

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.

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MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2018

NOTE B - PROMISES TO GIVE

There were no unconditional promises to give for the years ended December 31, 2018 and 2017.

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, 2018 and 2017:

	<u>2018</u>		<u>2017</u>	
	<u>MARKET VALUE</u>	<u>COST BASIS</u>	<u>MARKET VALUE</u>	<u>COST BASIS</u>
Money Funds	\$ 79,322	\$ 79,322	\$ 65,384	\$ 65,384
Equities	1,025,010	1,185,920	973,350	824,530
Mutual Funds	4,285,299	4,318,734	4,750,321	4,183,267
Other Securities	<u>328,528</u>	<u>509,916</u>	<u>320,229</u>	<u>499,310</u>
Total Investment Securities	<u>\$ 5,718,159</u>	<u>\$ 6,093,892</u>	<u>\$ 6,109,284</u>	<u>\$ 5,572,491</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.

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MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2018

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2018 and 2017 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<u>DECEMBER 31, 2018</u>				
Money Market	\$ 79,322	\$ -	\$ -	\$ 79,322
Equities	1,025,010	-	-	1,025,010
Mutual Funds	4,285,299	-	-	4,285,299
Other securities	328,528	-	-	328,528
	<u>\$ 5,718,159</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,718,159</u>
<u>DECEMBER 31, 2017</u>				
Money Market	\$ 65,384	\$ -	\$ -	\$ 65,384
Equities	973,350	-	-	973,350
Mutual Funds	4,750,321	-	-	4,750,321
Other securities	320,229	-	-	320,229
	<u>\$ 6,109,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,109,284</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2018</u>	<u>2017</u>
Land and land improvements	\$ 169,272	\$ 169,272
Building and improvements	925,969	832,210
Equipment	208,972	198,700
Automobiles	68,263	68,263
Website	9,675	4,500
Computers	53,960	34,680
Furniture and fixtures	10,296	10,296
	<u>\$1,446,407</u>	<u>\$1,317,921</u>
Less: Accumulated depreciation	<u>844,344</u>	<u>780,530</u>
Net Property and Equipment	<u>\$ 602,063</u>	<u>\$ 537,391</u>

(Continued)

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

NOTE F - INVESTMENT INCOME

The following is a summary of investment income:

	<u>2018</u>	<u>2017</u>
	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>
Interest and dividend income	\$ 432,167	\$ 347,486
Realized gain (loss) on sale of investments	165,851	42,780
Unrealized gain (loss) on investment valuation	<u>(936,039)</u>	<u>504,192</u>
Total Investment Income	<u>\$ (338,021)</u>	<u>\$ 894,458</u>

NOTE G - 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 \$5,718,159 and \$6,109,284 at December 31, 2018 and 2017, respectively.

The Organization maintains cash accounts at various banks. The total cash balance guaranteed by the Federal Depository Insurance Corporation (FDIC) was \$895,157 and \$1,557,307 at December 31, 2018 and 2017, respectively.

NOTE H - 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 2018 and 2017 the clinic paid the Organization for the following items:

	<u>2018</u>	<u>2017</u>
Rent	\$ 12,000	\$ 12,000
Management fees	27,479	-
Body disposal	2,615	4,918

There were no outstanding receivables at December 31, 2018 and 2017.

NOTE I - 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 \$37,723 and \$50,000 for 2018 and 2017, respectively. Administrative expenses paid for 2018 and 2017 were \$2,000 and \$600, respectively.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2018

NOTE J – LIQUIDITY DISCLOSURE

The Organization has \$6,829,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,111,000 and short-term investments of \$5,718,000. 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 \$269,000. 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 K - SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through September 9, 2019, which is the date the financial statements were available to be issued.