

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

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
ANNUAL FINANCIAL REPORT
December 31, 2017

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

November 13, 2018

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, 2017 and 2016 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
November 13, 2018
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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, 2017 and 2016, 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 225,316	\$ 333,603
Certificates of deposit	2,127,909	2,721,042
Receivables	5,219	1,084
Inventory	500	500
Prepaid expense	11,648	9,728
Investment - Merrill Lynch	6,109,284	5,272,369
Investment - Humane Society of Macomb Animal Clinic, Inc.	1,000	1,000
Property and equipment	<u>537,391</u>	<u>432,696</u>
Total Assets	<u>\$ 9,018,267</u>	<u>\$ 8,772,022</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 2,059	\$ 6,090
Accrued expenses	12,506	8,847
Customer deposits	<u>16,988</u>	<u>50,868</u>
Total Liabilities	\$ 31,553	\$ 65,805
<u>NET ASSETS:</u>		
Unrestricted	<u>8,986,714</u>	<u>8,706,217</u>
Total Liabilities and Net Assets	<u>\$ 9,018,267</u>	<u>\$ 8,772,022</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
 STATEMENTS OF ACTIVITIES
 For The Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>UNRESTRICTED NET ASSETS:</u>		
Unrestricted revenues and gains:		
Donations	\$ 538,809	\$ 628,051
Sale of animals and merchandise	60,533	38,194
Requested euthanasia and private cremations	6,967	8,190
Rental income	12,000	34,000
Management fees	-	11,354
Investment income	894,458	360,978
Casual labor	-	628
Miscellaneous	33,880	210
	<u>\$ 1,546,647</u>	<u>\$ 1,081,605</u>
Total Unrestricted Revenues and Gains		
Expenses:		
Program Services	\$ 1,019,617	\$ 655,532
Supporting Services:		
Management and general	235,689	173,137
Fund-raising	10,844	10,992
	<u>\$ 1,266,150</u>	<u>\$ 839,661</u>
Total Expenses		
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ 280,497	\$ 241,944
NET ASSETS AT BEGINNING OF YEAR	<u>8,706,217</u>	<u>8,464,273</u>
NET ASSETS AT END OF YEAR	<u>\$ 8,986,714</u>	<u>\$ 8,706,217</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended December 31, 2017 and 2016

	<u>2017</u>				<u>2016</u>			
	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND-RAISING</u>	<u>TOTAL</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>FUND-RAISING</u>	<u>TOTAL</u>
Compensation and related:								
Salaries and wages	\$ 495,796	\$ 39,739	\$ 3,506	\$ 539,041	\$ 294,577	\$ 30,085	\$ 2,655	\$ 327,317
Unemployment compensation	-	-	-	-	-	-	-	-
Taxes - Payroll	37,429	3,000	265	40,694	22,579	2,306	203	25,088
Retirement contribution	46,541	3,730	329	50,600	37,034	3,782	334	41,150
Insurance:								
Workers' compensation	4,066	326	29	4,421	4,591	469	41	5,101
Employee	31,282	2,507	221	34,010	27,346	2,793	246	30,385
Sub-total	\$ 615,114	\$ 49,302	\$ 4,350	\$ 668,766	\$ 386,127	\$ 39,435	\$ 3,479	\$ 429,041
Accounting and legal	4,003	16,014	-	20,017	3,418	13,670	-	17,088
Automobiles and trucks	188	440	-	628	1,318	3,076	-	4,394
Bad debts and non-sufficient fund checks	-	-	-	-	-	-	-	-
Casual labor	810	-	-	810	1,000	-	-	1,000
Depreciation	34,328	16,908	-	51,236	28,008	13,795	-	41,803
Disposal	8,864	-	-	8,864	15,716	-	-	15,716
Feed for shelter and farm animals	17,160	-	-	17,160	7,577	-	-	7,577
Advertising and promotion	-	-	4,740	4,740	-	-	5,092	5,092
Humane education	35,020	5,345	1,336	41,701	-	-	-	-
Intervention efforts	19,860	-	-	19,860	-	-	-	-
Insurance - General	6,954	3,425	-	10,379	9,110	4,487	-	13,597
Licenses and dues	-	349	-	349	-	196	-	196
Maintenance and repairs:								
Building	30,308	14,928	-	45,236	18,347	9,036	-	27,383
Equipment	230	114	-	344	746	368	-	1,114
Office supplies	67,821	63,225	418	131,464	72,567	41,993	-	114,560
Operating supplies	150,082	44,752	-	194,834	85,515	30,250	-	115,765
Postage	-	3,803	-	3,803	-	2,421	2,421	4,842
Public relations	3,937	3,937	-	7,874	3,013	3,013	-	6,026
Refunds	1,738	-	-	1,738	2,791	-	-	2,791
Telephone	3,389	3,390	-	6,779	2,777	2,777	-	5,554
Utilities:								
Electric	8,177	4,027	-	12,204	5,860	2,886	-	8,746
Heating fuel and gas	11,634	5,730	-	17,364	11,642	5,734	-	17,376
Total Expenses	\$ 1,019,617	\$ 235,689	\$ 10,844	\$ 1,266,150	\$ 655,532	\$ 173,137	\$ 10,992	\$ 839,661

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
STATEMENTS OF CASH FLOWS
For The Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ 280,497	\$ 241,944
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	51,236	41,803
(Gain) loss on sale of investments	(42,780)	138,488
Unrealized (gain) loss on investments	(513,705)	(269,702)
(Increase) decrease in operating assets:		
Receivables	(4,135)	-
Prepaid expenses	(1,920)	1,148
Increase (decrease) in operating liabilities:		
Accounts payable	(4,031)	4,975
Accrued expenses	3,659	3,816
Customer deposits	(33,880)	(21,516)
	<u>\$ (265,059)</u>	<u>\$ 140,956</u>
 <u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net change in investments	\$ (280,430)	\$ (182,066)
Net change in certificates of deposit	593,133	(6,473)
Payments for property and equipment	(155,931)	(120,415)
	<u>\$ 156,772</u>	<u>\$ (308,954)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 \$ (108,287)	 \$ (167,998)
 BEGINNING CASH AND CASH EQUIVALENTS	 <u>333,603</u>	 <u>501,601</u>
 ENDING CASH AND CASH EQUIVALENTS	 <u>\$ 225,316</u>	 <u>\$ 333,603</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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, 2017 and 2016, 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 \$51,236 and \$41,803 for the years ended December 31, 2017 and 2016, 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, 2017

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 three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. 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 2014.

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, 2017

NOTE B - PROMISES TO GIVE

There were no unconditional promises to give for the years ended December 31, 2017 and 2016.

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, 2017 and 2016:

	2017		2016	
	MARKET VALUE	COST BASIS	MARKET VALUE	COST BASIS
Money Funds	\$ 65,384	\$ 65,384	\$ 48,747	\$ 48,747
Equities	973,350	824,530	783,266	768,130
Mutual Funds	4,750,321	4,183,267	4,120,275	3,964,984
Other Securities	320,229	499,310	320,081	489,650
Total Investment Securities	<u>\$ 6,109,284</u>	<u>\$ 5,572,491</u>	<u>\$ 5,272,369</u>	<u>\$ 5,271,511</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, 2017

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2017 and 2016 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</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>
<u>DECEMBER 31, 2016</u>				
Money Market	\$ 48,747	\$ -	\$ -	\$ 48,747
Equities	783,266	-	-	783,266
Mutual Funds	4,120,275	-	-	4,120,275
Other securities	320,081	-	-	320,081
	<u>\$ 5,272,369</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,272,369</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2017</u>	<u>2016</u>
Land and land improvements	\$ 169,272	\$ 156,734
Building and improvements	832,210	762,810
Equipment	198,700	162,548
Automobiles	68,263	98,633
Website	4,500	4,500
Computers	34,680	-
Furniture and fixtures	10,296	-
	<u>\$1,317,921</u>	<u>\$1,185,225</u>
Less: Accumulated depreciation	<u>780,530</u>	<u>752,529</u>
Net Property and Equipment	<u>\$ 537,391</u>	<u>\$ 432,696</u>

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2017

NOTE F - INVESTMENT INCOME

The following is a summary of investment income:

	<u>2017</u>	<u>2016</u>
	UNRESTRICTED	UNRESTRICTED
Interest and dividend income	\$ 347,486	\$ 229,764
Realized gain (loss) on sale of investments	42,780	(138,488)
Unrealized gain (loss) on investment valuation	504,192	269,702
Total Investment Income	<u>\$ 894,458</u>	<u>\$ 360,978</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 \$6,109,284 and \$5,272,369 at December 31, 2017 and 2016, respectively.

The Organization maintains cash accounts at various banks. The total cash balance guaranteed by the Federal Depository Insurance Corporation (FDIC) was \$1,557,307 and \$1,808,069 at December 31, 2017 and 2016, 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 2017 and 2016 the clinic paid the Organization for the following items:

	<u>2017</u>	<u>2016</u>
Rent	\$ 12,000	\$ 34,000
Management fees	-	11,354
Body disposal	4,918	7,430
Casual labor	-	628

There were no outstanding receivables at December 31, 2017 and 2016.

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 \$50,000 and \$40,000 for 2017 and 2016, respectively. Administrative expenses paid for 2017 and 2016 were \$600 and \$1,150, respectively.

NOTE J - SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 13, 2018, which is the date the financial statements were available to be issued.