

**Lenawee Humane Society**

Financial Statements and  
Independent Auditors' Report

Years Ended December 31, 2017 and 2016

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**WILLIS & JURASEK**

CPAS AND CONSULTANTS

**Independent Auditors' Report**

To the Board of Directors  
Lenawee Humane Society  
Adrian, Michigan

We have audited the accompanying financial statements of Lenawee Humane Society (a non-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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 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 auditors' 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 auditors consider 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 Lenawee Humane Society as of December 31, 2017, 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.

### **Prior Period Financial Statements**

The financial statements of Lenawee Humane Society as of December 31, 2016, were audited by other auditors whose report dated February 10, 2017, expressed an unmodified opinion on those statements.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 10 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2017 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 information is fairly stated in all material respects in relation to the financial statements as a whole.

*Willis & Jurasek, P.C.*

Willis & Jurasek, P.C.

February 1, 2018

**Lenawee Humane Society**  
 Statements of Financial Position  
 December 31, 2017 and 2016

|  | <u>2017</u> | <u>2016</u> |
|--|-------------|-------------|
| <b><u>Assets</u></b>                     |             |             |
| <b>Current Assets:</b>                   |             |             |
| Cash                                     | \$ 162,947  | \$ 105,804  |
| Inventory                                | 4,496       | 2,672       |
| Total current assets                     | 167,443     | 108,476     |
| <b>Property and Equipment, net</b>       | 222,659     | 203,916     |
| Total assets                             | \$ 390,102  | \$ 312,392  |
| <b><u>Liabilities and Net Assets</u></b> |             |             |
| <b>Current Liabilities:</b>              |             |             |
| Accounts payable                         | \$ 1,684    | \$ 6,548    |
| Accrued liabilities                      | 20,090      | 9,053       |
| Total current liabilities                | 21,774      | 15,601      |
| <b>Net Assets:</b>                       |             |             |
| Unrestricted                             | 349,285     | 254,486     |
| Temporarily restricted                   | 19,043      | 42,305      |
| Total net assets                         | 368,328     | 296,791     |
| Total net assets and liabilities         | \$ 390,102  | \$ 312,392  |

See Notes to Financial Statements.

**Lenawee Humane Society**  
 Statements of Activities  
 Years Ended December 31, 2017 and 2016

|  | <u>2017</u>         |                                   |                   | <u>2016</u>         |                                   |                   |
|--|---------------------|-----------------------------------|-------------------|---------------------|-----------------------------------|-------------------|
|  | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>      |
| <b>Public Support and Revenues:</b>              |                     |                                   |                   |                     |                                   |                   |
| Contributions                                    | \$ 236,177          | \$ -                              | \$ 236,177        | \$ 180,136          | \$ 4,257                          | \$ 184,393        |
| Membership dues                                  | 9,403               | -                                 | 9,403             | 14,819              | -                                 | 14,819            |
| Special events                                   | 193,258             | -                                 | 193,258           | 150,200             | -                                 | 150,200           |
| Grants   | 54,200              | 5,000                             | 59,200            | 12,635              | 45,000                            | 57,635            |
| Shelter services                                 | 116,500             | -                                 | 116,500           | 98,179              | -                                 | 98,179            |
| Clinic services                                  | 74,568              | -                                 | 74,568            | 54,606              | -                                 | 54,606            |
| Merchandise                                      | 17,149              | -                                 | 17,149            | 18,049              | -                                 | 18,049            |
| In-kind contributions                            | 25,903              | -                                 | 25,903            | 40,912              | -                                 | 40,912            |
| Other income                                     | 754                 | -                                 | 754               | 195                 | -                                 | 195               |
| Net assets released from restrictions            | <u>28,262</u>       | <u>(28,262)</u>                   | <u>-</u>          | <u>56,936</u>       | <u>(56,936)</u>                   | <u>-</u>          |
| Total public support and revenues                | <u>756,174</u>      | <u>(23,262)</u>                   | <u>732,912</u>    | <u>626,667</u>      | <u>(7,679)</u>                    | <u>618,988</u>    |
| <b>Functional Expenses:</b>                      |                     |                                   |                   |                     |                                   |                   |
| Program services                                 | <u>554,751</u>      | <u>-</u>                          | <u>554,751</u>    | <u>488,048</u>      | <u>-</u>                          | <u>488,048</u>    |
| Supporting services:                             |                     |                                   |                   |                     |                                   |                   |
| General and administrative                       | 14,214              | -                                 | 14,214            | 18,948              | -                                 | 18,948            |
| Fundraising                                      | 90,624              | -                                 | 90,624            | 80,622              | -                                 | 80,622            |
| Total supporting services                        | <u>104,838</u>      | <u>-</u>                          | <u>104,838</u>    | <u>99,570</u>       | <u>-</u>                          | <u>99,570</u>     |
| Total functional expenses                        | <u>659,589</u>      | <u>-</u>                          | <u>659,589</u>    | <u>587,618</u>      | <u>-</u>                          | <u>587,618</u>    |
| <b>Changes in Net Assets from Operations</b>     | <u>96,585</u>       | <u>(23,262)</u>                   | <u>73,323</u>     | <u>39,049</u>       | <u>(7,679)</u>                    | <u>31,370</u>     |
| <b>Other Income (Expense):</b>                   |                     |                                   |                   |                     |                                   |                   |
| Interest income                                  | 43                  | -                                 | 43                | 31                  | -                                 | 31                |
| Gain (loss) on sale of property<br>and equipment | <u>(1,829)</u>      | <u>-</u>                          | <u>(1,829)</u>    | <u>-</u>            | <u>-</u>                          | <u>-</u>          |
| Total other income (expense)                     | <u>(1,786)</u>      | <u>-</u>                          | <u>(1,786)</u>    | <u>31</u>           | <u>-</u>                          | <u>31</u>         |
| <b>Changes in Net Assets</b>                     | 94,799              | (23,262)                          | 71,537            | 39,080              | (7,679)                           | 31,401            |
| <b>Net Assets - Beginning of Year</b>            | <u>254,486</u>      | <u>42,305</u>                     | <u>296,791</u>    | <u>215,406</u>      | <u>49,984</u>                     | <u>265,390</u>    |
| <b>Net Assets - End of Year</b>                  | <u>\$ 349,285</u>   | <u>\$ 19,043</u>                  | <u>\$ 368,328</u> | <u>\$ 254,486</u>   | <u>\$ 42,305</u>                  | <u>\$ 296,791</u> |

See Notes to Financial Statements.

**Lenawee Humane Society**  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

|   | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|
| <b>Cash Flows from Operating Activities:</b>  |             |             |
| Changes in net assets   | \$ 71,537   | \$ 31,401   |
| Adjustments to reconcile changes in net assets<br>to net cash provided by operating activities: |             |             |
| Depreciation  | 27,027      | 26,426      |
| In-kind contributions   | 25,903      | 40,912      |
| In-kind expenses  | (25,903)    | (40,912)    |
| (Gain) loss on sale of property and equipment   | 1,829       | -           |
| Changes in operating assets and liabilities:  |             |             |
| Inventory   | (1,824)     | 2,983       |
| Accounts payable  | (4,864)     | 2,071       |
| Accrued liabilities   | 11,037      | (353)       |
| Net cash provided (used) by operating activities  | 104,742     | 62,528      |
| <b>Cash Flows From Investing Activities:</b>  |             |             |
| Purchase of property and equipment  | (47,599)    | (13,365)    |
| Net cash provided (used) by investing activities  | (47,599)    | (13,365)    |
| <b>Cash Flows From Financing Activities:</b>  |             |             |
| Repayment of lease payable  | -           | (2,648)     |
| Net cash provided (used) by financing activities  | -           | (2,648)     |
| <b>Increase in Cash</b>   | 57,143      | 46,515      |
| <b>Cash - Beginning of Year</b>   | 105,804     | 59,289      |
| <b>Cash - End of Year</b>   | \$ 162,947  | \$ 105,804  |

See Notes to Financial Statements.

**Lenawee Humane Society**  
Notes to Financial Statements

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**1. Summary of Significant Accounting Policies**

**Organization and Nature of Activities**

Lenawee Humane Society (the "Society") is a non-profit organization incorporated in the State of Michigan in 1921 serving Lenawee County and the surrounding area.

The Society's mission is to save the lives of animals while enriching the lives of humans. The Society is dedicated to caring for unwanted animals and providing them with necessary medical treatment, food and shelter until permanent homes are found. The Society's major sources of revenue are contributions and program fees from adoptions and store sales.

**Basis of Accounting**

The accompanying financial statements and information are prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned, and expenditures are recognized when incurred.

**Basis of Presentation**

Financial statement presentation follows the standards set by the Financial Accounting Standards Board (FASB). According to these professional standards, Lenawee Humane Society is required to report 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.

**Expense Allocation**

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

**Use of Estimates**

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

**Tax-Exempt Status/Uncertain Tax Positions**

Lenawee Humane Society is an organization recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended.

Professional standards require an analysis of uncertain tax positions for the purpose of determining whether benefits associated with those positions may be recognized for financial statement purposes. Based on this analysis, the Society has determined it has no material uncertain tax positions for which the associated benefits may not be recognized nor for which disclosure is required.

Federal tax returns generally remain open for examination by the taxing authorities for a period of three years.

**Cash**

For purposes of the Statements of Cash Flows, cash includes demand deposits held at banks. As of December 31, 2017 and 2016, the Society held no amounts in excess of FDIC insured limits.



**Lenawee Humane Society**  
Notes to Financial Statements

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**1. Summary of Significant Accounting Policies (Continued)**

**Fair Value Measurements**

The Society applies generally accepted accounting principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

**Receivables**

The Society's receivables consist primarily of contribution receivables (pledges, i.e. promises to give). Contributions receivable of all types are recorded at fair value when pledged/granted. An allowance for uncollectible receivables, if any, is recorded as estimated based upon management's valuation of related historical data and current economic conditions. Currently, the Society has no receivables and no allowance for doubtful accounts.

**Inventory**

Inventory consists of Pawpourri Store items available for resale. Inventories are stated at the lower of cost (purchase price) or market, on a first-in, first-out basis.

**Property and Equipment**

Capital assets are recorded at cost if purchased or if donated, are recorded at their fair market value when received. Expenditures for major renewals and improvements that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. The Society has not adopted a policy for implying time restrictions on contributions of long-lived assets or related subsidies. Depreciation of property and equipment is provided using the straight-line method at rates based on the following estimated useful lives:

|                           | <u>Years</u> |
|---------------------------|--------------|
| Land improvements         | 10           |
| Building and improvements | 5 - 39       |
| Computers and equipment   | 5 - 10       |
| Furniture and fixtures    | 5 - 10       |
| Vehicles                  | 5            |

**Donated Goods and Services**

During the reported periods, contributed goods and services meeting the requirements for recognition in the financial statements including animal supplies, food assistance, fundraising materials, and professional fees totaled \$25,903 and \$40,912, respectively. Also, volunteers provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria were not met. These services primarily related to the care of animals and the related programs. Volunteer hours were over 8,500 annually for the years ending December 31, 2017 and 2016.

**Contributions and Other Support**

The Society accounts for contributions as required by the Not-For-Profit Topic of the Financial Accounting Standards Board Accounting Standards Codification. In accordance with this guidance, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support. Contributions received are required to be recorded at fair market value.

**Lenawee Humane Society**  
Notes to Financial Statements

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**1. Summary of Significant Accounting Policies (Continued)**

**Contributions and Other Support (Continued)**

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions. If donor-restricted contributions are received and the restricted use is met within the same fiscal year, the support is reported as unrestricted contributions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend on are substantially met.

**Advertising**

Lenawee Humane Society uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. Advertising costs totaled \$3,398 and \$4,792 for the years ended December 31, 2017 and 2016, respectively.

**Reclassifications**

Certain balances in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications, if any, do not impact changes in net assets.

**Subsequent Events**

The Society has evaluated subsequent events through the date of the auditors' report, the date the financial statements were available to be issued.

**2. Property and Equipment**

Property and equipment at each reported year-end is summarized as follows:

|                                | <u>2017</u>       | <u>2016</u>       |
|--------------------------------|-------------------|-------------------|
| Land                           | \$ 15,081         | \$ 15,081         |
| Land improvements              | 21,625            | 21,625            |
| Building and improvements      | 290,198           | 278,583           |
| Computers and equipment        | 101,074           | 78,806            |
| Furniture and fixtures         | 10,233            | 10,233            |
| Vehicles                       | 18,337            | 18,337            |
|                                | <u>456,548</u>    | <u>422,665</u>    |
| Less: accumulated depreciation | <u>(233,889)</u>  | <u>(218,749)</u>  |
| Property and equipment - net   | <u>\$ 222,659</u> | <u>\$ 203,916</u> |
| Depreciation expense           | <u>\$ 27,027</u>  | <u>\$ 26,426</u>  |

**Lenawee Humane Society**  
Notes to Financial Statements

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**3. Line of Credit**

The Society maintains a \$25,000 line of credit with TLC Community Credit Union, secured by all assets, maturing on December 9, 2020, and with a variable interest rate calculated at WSJ prime plus 1% which was 5.25% at December 31, 2017. There were no outstanding balances at December 31, 2017 and 2016.

**4. Restrictions on Net Assets**

Temporarily restricted net assets at each reported year-end consisted of donations received for specific purposes not spent by the end of the fiscal year as follows:

|   | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|
| Vicki's Fund - life saving treatment for dogs                       | \$ 14,043        | \$ 22,305        |
| Contributions received for cat room renovations                     | 5,000            | -                |
| Grant for Hope Clinic spay/neuter<br>medical and surgical equipment | <u>-</u>         | <u>20,000</u>    |
| Total temporarily restricted net assets                             | <u>\$ 19,043</u> | <u>\$ 42,305</u> |

## **Supplementary Information**

**Lenawee Humane Society**  
Schedule of Functional Expenses  
Year Ended December 31, 2017  
(With Comparative Totals for the Year Ended December 31, 2016)

|                                | <u>Program Services</u> | <u>Supporting Services</u>          |                    |                      | <u>2017 Total Expenses</u> | <u>2016 Total Expenses</u> |
|--------------------------------|-------------------------|-------------------------------------|--------------------|----------------------|----------------------------|----------------------------|
|                                |                         | <u>General &amp; Administrative</u> | <u>Fundraising</u> | <u>Total Support</u> |                            |                            |
| <b>Expenses:</b>               |                         |                                     |                    |                      |                            |                            |
| Salaries                       | \$ 309,799              | \$ 5,351                            | \$ 43,836          | \$ 49,187            | \$ 358,986                 | \$ 306,570                 |
| Payroll taxes                  | 23,933                  | 3,387                               | 413                | 3,800                | 27,733                     | 24,684                     |
| Director's liability insurance | -                       | 744                                 | -                  | 744                  | 744                        | 744                        |
| Insurance                      | 4,243                   | 164                                 | 701                | 865                  | 5,108                      | 8,402                      |
| Interest                       | -                       | -                                   | -                  | -                    | -                          | 26                         |
| Repairs and maintenance        | 3,823                   | 148                                 | 632                | 780                  | 4,603                      | 9,640                      |
| Advertising                    | 2,822                   | 109                                 | 466                | 576                  | 3,398                      | 4,792                      |
| Dues and subscriptions         | 521                     | 20                                  | 86                 | 106                  | 627                        | 1,878                      |
| Automobile expense             | 1,750                   | 68                                  | 289                | 357                  | 2,107                      | 1,698                      |
| Meetings and conferences       | 4,582                   | 178                                 | 757                | 934                  | 5,516                      | 4,297                      |
| Office expense                 | 4,551                   | 176                                 | 752                | 928                  | 5,479                      | 2,155                      |
| Equipment lease                | 2,507                   | 97                                  | 414                | 511                  | 3,018                      | 2,565                      |
| Supplies                       | 38,457                  | 1,491                               | 6,352              | 7,843                | 46,300                     | 30,760                     |
| Postage                        | 4,232                   | 164                                 | 699                | 863                  | 5,095                      | 4,002                      |
| Professional fees              | 4,734                   | 184                                 | 782                | 966                  | 5,700                      | 5,600                      |
| Shelter expense                | 91,322                  | -                                   | -                  | -                    | 91,322                     | 88,658                     |
| Special events                 | -                       | -                                   | 25,952             | 25,952               | 25,952                     | 27,151                     |
| Merchandise expense            | 5,502                   | -                                   | -                  | -                    | 5,502                      | 7,487                      |
| Telephone                      | 2,072                   | 80                                  | 342                | 422                  | 2,494                      | 2,412                      |
| Utilities                      | 18,908                  | 733                                 | 3,123              | 3,856                | 22,764                     | 18,751                     |
| Depreciation                   | 22,449                  | 870                                 | 3,708              | 4,578                | 27,027                     | 26,426                     |
| Bank charges                   | 4,699                   | 182                                 | 776                | 958                  | 5,657                      | 4,868                      |
| Payroll fees                   | 3,847                   | 66                                  | 544                | 610                  | 4,457                      | 4,052                      |
| <b>Total expenses</b>          | <b>\$ 554,751</b>       | <b>\$ 14,214</b>                    | <b>\$ 90,624</b>   | <b>\$ 104,838</b>    | <b>\$ 659,589</b>          | <b>\$ 587,618</b>          |