

Humane Society of Huron Valley

**Financial Report
December 31, 2015**

Humane Society of Huron Valley

Contents

Report Letter	1
Financial Statements	
Balance Sheet	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4-5
Statement of Cash Flows	6
Notes to Financial Statements	7-16

Independent Auditor's Report

To the Board of Directors
Humane Society of Huron Valley

We have audited the accompanying financial statements of the Humane Society of Huron Valley (the "Organization"), which comprise the balance sheet as of December 31, 2015 and 2014 and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Huron Valley as of December 31, 2015 and 2014 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.

Plante & Moran, PLLC

July 13, 2016

Humane Society of Huron Valley

Balance Sheet

	December 31, 2015	December 31, 2014
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,025,363	\$ 1,188,117
Receivables:		
Accounts receivable	77,353	11,348
Contributions receivable	535	69,636
Capital campaign pledges receivable - Net (Note 2)	133,000	138,859
Bequests receivable	60,000	-
Investments (Note 3)	2,836,700	2,427,593
Prepaid expenses and other current assets	145,182	93,494
Total current assets	4,278,133	3,929,047
Restricted Cash	75,083	75,045
Long-term Capital Campaign Pledges Receivable - Net (Note 2)	-	1,141
Property and Equipment - Net (Note 4)	6,617,958	6,807,375
Total assets	\$ 10,971,174	\$ 10,812,608
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	\$ 135,764	\$ 139,367
Deferred revenue	105,924	129,610
Accrued liabilities and other	152,045	236,717
Total current liabilities	393,733	505,694
Net Assets		
Unrestricted:		
Undesignated	8,837,098	9,024,929
Board designated (Note 1)	1,669,245	1,270,459
Temporarily restricted (Note 5)	71,098	11,526
Total net assets	10,577,441	10,306,914
Total liabilities and net assets	\$ 10,971,174	\$ 10,812,608

Humane Society of Huron Valley

Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2015			December 31, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	\$ 2,411,891	\$ 9,314	\$ 2,421,205	\$ 2,011,407	\$ 27,110	\$ 2,038,517
Bequests	-	269,392	269,392	-	365,205	365,205
Donated advertising, supplies, and equipment	75,431	-	75,431	8,013	-	8,013
Operations	2,828,892	-	2,828,892	2,520,013	-	2,520,013
Retail sales	246,494	-	246,494	203,607	-	203,607
Special event revenue	386,106	-	386,106	348,335	-	348,335
Investment income (Note 3)	19,839	-	19,839	113,555	-	113,555
Gain on sale of fixed assets	-	-	-	2,792	-	2,792
Miscellaneous income	125	-	125	1,510	-	1,510
Total revenue and support	5,968,778	278,706	6,247,484	5,209,232	392,315	5,601,547
Net Assets Released from Restrictions	219,134	(219,134)	-	437,994	(437,994)	-
Total revenue, support, and net assets released from restrictions	6,187,912	59,572	6,247,484	5,647,226	(45,679)	5,601,547
Expenses						
Program services:						
Clinic	1,652,566	-	1,652,566	1,477,889	-	1,477,889
Shelter	2,408,108	-	2,408,108	2,432,470	-	2,432,470
Support programs	676,039	-	676,039	591,543	-	591,543
Cruelty/Rescue	360,327	-	360,327	342,505	-	342,505
Total program services	5,097,040	-	5,097,040	4,844,407	-	4,844,407
Support services:						
Administration	225,125	-	225,125	322,118	-	322,118
Development	621,536	-	621,536	509,515	-	509,515
Capital campaign	33,256	-	33,256	60,313	-	60,313
Total expenses	5,976,957	-	5,976,957	5,736,353	-	5,736,353
Increase (Decrease) in Net Assets	210,955	59,572	270,527	(89,127)	(45,679)	(134,806)
Net Assets - Beginning of year	10,295,388	11,526	10,306,914	10,384,515	57,205	10,441,720
Net Assets - End of year	\$ 10,506,343	\$ 71,098	\$ 10,577,441	\$ 10,295,388	\$ 11,526	\$ 10,306,914

See Notes to Financial Statements.

Humane Society of Huron Valley

Statement of Functional Expenses Year Ended December 31, 2015

	Program Services					Support Services			Total
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Marketing and Capital Campaign	
Salaries	\$ 749,788	\$ 1,327,851	\$ 358,453	\$ 205,727	\$ 2,641,819	\$ 99,883	\$ 212,454	\$ -	\$ 2,954,156
Employee benefits	171,134	359,611	93,516	61,068	685,329	25,357	50,091	-	760,777
Total salaries and related expenses	920,922	1,687,462	451,969	266,795	3,327,148	125,240	262,545	-	3,714,933
Professional fees	17,931	29,884	5,977	2,988	56,780	52,687	-	-	109,467
Animal removal, outside vet, and lab	22,540	27,346	-	174	50,060	-	-	-	50,060
Medical and animal supplies	313,086	169,921	730	188	483,925	-	-	-	483,925
Vehicle fuel	75	125	25	7,830	8,055	12	-	-	8,067
Contract labor	7,994	4,074	24,357	-	36,425	-	36,012	28,398	100,835
Supplies	53,949	107,676	20,636	11,977	194,238	8,191	6,549	2,650	211,628
Microchips/Trap neuter return	4,813	19,781	-	-	24,594	-	-	-	24,594
Postage and shipping	2,184	1,003	691	106	3,984	1,552	7,301	35	12,872
Insurance	24,800	42,710	12,712	15,869	96,091	11,930	-	-	108,021
Repair and maintenance	19,530	28,684	5,735	5,662	59,611	2,867	-	-	62,478
Travel	2,079	18	2,549	2,199	6,845	698	91	5	7,639
Printing	3,162	7,060	2,999	706	13,927	-	9,347	-	23,274
Utilities	29,741	49,568	9,914	4,957	94,180	4,957	-	-	99,137
Telephone	3,618	6,243	1,286	932	12,079	603	-	-	12,682
Memberships and subscriptions	5,360	5,652	4,672	1,747	17,431	1,530	30,385	2,168	51,514
Publicity and advertising	30,865	25,847	7,944	6,462	71,118	-	678	-	71,796
Newsletters	9,368	9,368	2,342	2,342	23,420	-	7,807	-	31,227
Appeals	-	-	40	-	40	-	215,705	-	215,745
Merchandise	29,712	-	91,210	-	120,922	-	-	-	120,922
Support programs	-	-	1,020	19	1,039	-	2,959	-	3,998
Licenses and permits	2,524	1,131	419	145	4,219	60	5,832	-	10,111
Miscellaneous	(172)	1,205	1,424	130	2,587	564	542	-	3,693
Uncollectible accounts	4,926	489	-	(2,815)	2,600	-	-	-	2,600
Donated advertising, supplies, and equipment	29,825	31,124	7,091	7,076	75,116	15	300	-	75,431
Credit card fees	30,799	13,512	945	9	45,265	125	29,928	-	75,318
Investment management fees	-	-	-	-	-	4,846	-	-	4,846
Capital lease	393	655	92	66	1,206	52	52	-	1,310
Land lease	-	-	-	-	-	3,693	-	-	3,693
Depreciation	82,542	137,570	19,260	24,763	264,135	5,503	5,503	-	275,141
Total functional expenses	<u>\$ 1,652,566</u>	<u>\$ 2,408,108</u>	<u>\$ 676,039</u>	<u>\$ 360,327</u>	<u>\$ 5,097,040</u>	<u>\$ 225,125</u>	<u>\$ 621,536</u>	<u>\$ 33,256</u>	<u>\$ 5,976,957</u>

Humane Society of Huron Valley

Statement of Functional Expenses Year Ended December 31, 2014

	Program Services					Support Services			Marketing and Capital Campaign	Total
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development			
Salaries	\$ 678,420	\$ 1,383,486	\$ 258,662	\$ 167,481	\$ 2,488,049	\$ 126,685	\$ 155,725	\$ -	\$ 2,770,459	
Employee benefits	159,421	323,690	53,406	39,492	576,009	29,475	39,345	-	644,829	
Total salaries and related expenses	837,841	1,707,176	312,068	206,973	3,064,058	156,160	195,070	-	3,415,288	
Professional fees	1,449	2,416	53,989	242	58,096	49,407	193	-	107,696	
Animal removal, outside vet, and lab	56,517	17,710	-	1,963	76,190	-	-	-	76,190	
Medical and animal supplies	188,250	210,925	42,259	33,534	474,968	-	-	-	474,968	
Vehicle fuel	57	94	338	11,301	11,790	8	8	-	11,806	
Contract labor	11,251	5,408	13,739	2,250	32,648	-	49,631	22,554	104,833	
Supplies	53,766	92,790	26,210	8,617	181,383	9,372	5,263	99	196,117	
Microchips/Trap neuter return	10,519	24,802	-	-	35,321	-	-	-	35,321	
Postage and shipping	4,400	952	444	5	5,801	2,201	5,424	-	13,426	
Insurance	4,187	7,287	4,237	3,858	19,569	69,665	519	-	89,753	
Repair and maintenance	25,957	34,420	4,780	10,123	75,280	3,231	2,731	-	81,242	
Travel	-	185	1,114	300	1,599	-	-	-	1,599	
Printing	2,673	6,685	2,673	668	12,699	-	3,213	-	15,912	
Utilities	33,263	55,331	7,740	5,529	101,863	4,423	4,423	-	110,709	
Telephone	2,861	5,231	1,555	3,392	13,039	381	381	-	13,801	
Memberships and subscriptions	4,239	5,705	4,330	1,690	15,964	1,639	29,891	2,562	50,056	
Publicity and advertising	50,460	50,511	14,490	12,615	128,076	-	-	-	128,076	
Newsletter	9,608	9,608	2,402	2,402	24,020	-	8,006	-	32,026	
Appeals	-	-	-	-	-	-	170,553	-	170,553	
Merchandise	32,446	-	72,400	-	104,846	-	-	-	104,846	
Support programs	-	-	163	1,010	1,173	-	770	-	1,943	
Licenses and permits	1,732	2,561	57	146	4,496	57	4,170	29	8,752	
Miscellaneous	(290)	52	2	100	(136)	213	-	31	108	
Uncollectible accounts	6,881	-	-	6,595	13,476	-	50	35,038	48,564	
Donated advertising, supplies, and equipment	-	-	-	-	-	4,980	-	-	4,980	
Credit card fees	32,620	13,950	1,539	11	48,120	-	20,583	-	68,703	
Investment management fees	-	-	-	-	-	8,052	-	-	8,052	
Capital lease	22,344	37,240	5,214	3,724	68,522	2,979	2,979	-	74,480	
Land lease	-	-	-	-	-	3,693	-	-	3,693	
Depreciation	84,858	141,431	19,800	25,457	271,546	5,657	5,657	-	282,860	
Total functional expenses	<u>\$ 1,477,889</u>	<u>\$ 2,432,470</u>	<u>\$ 591,543</u>	<u>\$ 342,505</u>	<u>\$ 4,844,407</u>	<u>\$ 322,118</u>	<u>\$ 509,515</u>	<u>\$ 60,313</u>	<u>\$ 5,736,353</u>	

Humane Society of Huron Valley

Statement of Cash Flows

	Year Ended	
	December 31, 2015	December 31, 2014
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 270,527	\$ (134,806)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	275,141	282,860
Amortization of debt costs and discount	-	30,845
Bad debt (recovery) expense	(394,770)	48,564
Net realized and unrealized loss (gain) on investments	41,433	(60,364)
Change in discount on pledges	-	(10,665)
Gain on sale of assets	-	(2,792)
Changes in operating assets and liabilities which (used) provided cash:		
Accounts receivable	(68,605)	67,390
Contributions receivable	69,101	9,128
Bequest receivable	(60,000)	46,000
Prepaid expenses and other current assets	(51,688)	29,714
Trade accounts payable	(3,603)	(28,503)
Deferred revenue	(23,686)	91,332
Accrued liabilities and other	(84,672)	8,399
Net cash (used in) provided by operating activities	(30,822)	377,102
Cash Flows from Investing Activities		
Change in restricted cash	(38)	14,107
Purchase of property and equipment	(85,724)	(29,942)
Purchases of investments	(2,497,840)	(765,000)
Proceeds from sales and maturities of investments	2,047,300	2,007,390
Net cash (used in) provided by investing activities	(536,302)	1,226,555
Cash Flows from Financing Activities		
Proceeds from capital campaign contribution	404,370	94,594
Principal payments on capital lease	-	(1,066,782)
Net cash provided by (used in) financing activities	404,370	(972,188)
Net (Decrease) Increase in Cash and Cash Equivalents	(162,754)	631,469
Cash and Cash Equivalents - Beginning of year	1,188,117	556,648
Cash and Cash Equivalents - End of year	\$ 1,025,363	\$ 1,188,117
Supplemental Disclosure of Cash Flow Information -		
Interest paid on capital lease	\$ -	\$ 43,635

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Organization - The Humane Society of Huron Valley (the "Organization") is a not-for-profit corporation that operates an animal shelter, a veterinary clinic, emergency animal rescue services, a cruelty investigation division, and a support programs division. The Organization was incorporated in 1896 and primarily serves the Washtenaw County area.

Significant accounting policies are as follows:

Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of less than three months to be cash equivalents except for temporary investment funds considered part of the investment portfolio. The balances in the Organization's deposit accounts may exceed FDIC insurance coverage amounts for those accounts.

Accounts Receivable - Accounts receivable are stated at invoice amounts. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2015 and 2014.

Contributions Receivable - The Organization's contributions receivable are comprised primarily of amounts committed from various donors for use in the Organization's activities. Contributions receivable at December 31, 2015 are expected to be collected within one year. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. All amounts are considered fully collectible at December 31, 2015 and 2014.

Capital Campaign Pledges Receivable - The Organization's capital campaign pledges receivable are comprised primarily of amounts committed from various donors for use in the construction of the Organization's new facility which was completed in 2009. Capital campaign pledges are recorded at the present value of their estimated future cash flows. Amortization of the discounts is included in contribution revenue. An allowance for uncollectible contributions is provided when evidence indicates amounts promised by donors may not be collectible. An allowance of \$78,050 and \$475,420 had been recorded against these receivables as of December 31, 2015 and 2014, respectively. The decrease in the allowance in 2015 is due to the collection of \$395,000 of pledges that were previously reserved. This recovery has been recognized as contribution revenue during the year ended December 31, 2015.

Bequest Receivable - Bequest receivable consists of wills and estates for which the will was validated by probate court. Payment on this receivable is expected in the next year. The bequest receivable is deemed fully collectible as of December 31, 2015 and 2014.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Investments - Investments in debt and equity securities are recorded at fair value based on quoted market prices and other inputs as described in Note 8.

Restricted Cash - Restricted cash consists of amounts contractually restricted for the development and maintenance of a site buffer as required by the land lease.

Property and Equipment - Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives, ranging from 5 to 30 years. Costs of maintenance and repairs are charged to expense when incurred.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property and equipment must be maintained, the Organization reports expirations of donor restrictions over time based on an estimate of the useful lives of the donated or acquired property and equipment.

Revenue and Support Recognition - Revenue from clinic and shelter operations, including a county contract, is recognized as services are performed.

Contributions are recognized upon the receipt of the gift or a written unconditional promise to give. Contributions that include donor restrictions that limit the use of the gift are recorded as restricted support. When the donor restrictions are fulfilled, temporarily restricted gifts are reclassified as unrestricted activities. For financial statement presentation purposes, management has elected to report temporarily restricted gifts, whose requirements were fulfilled in the same period that the gift was received, as unrestricted activities.

The Organization raises additional money with direct fundraising events or as a participant at community activities. Special events revenue and revenue from merchandise sales are recorded when events are held and items are sold, respectively.

Donated Services - The Organization receives donations of various services. In accordance with generally accepted accounting principles, these services are recorded in the statement of activities and changes in net assets when they meet certain criteria.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and services, which do not meet the requirements to be recorded. Volunteer hours totaled 85,275 and 78,274 during 2015 and 2014, respectively. This information has not been audited.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Classification of Net Assets - Net assets of the Organization are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. There were no permanently restricted net assets as of December 31, 2015 and 2014. Earnings, gains, and losses on temporarily restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Board-designated Net Assets - Board-designated net assets are unrestricted net assets designated by the board for facility building repairs and maintenance and repayment of capital improvement bonds (see Note 6). These designations are based on board actions, which can be altered or revoked at a future time by the board. Board-designated net assets were \$1,669,245 and \$1,270,459 at December 31, 2015 and 2014, respectively.

Community Foundation - Certain funds donated by outside donors for the benefit of the Organization are held and managed by the Ann Arbor Area Community Foundation (AAACF). AAACF maintains variance power which, as a result, requires that the assets it holds not be recorded as assets of the Organization. The fair market value of these funds was \$4,005,771 and \$4,270,246 at December 31, 2015 and 2014, respectively. Earnings, net of AAACF fees, are available for distribution to the Organization at the discretion of AAACF and therefore are not reflected as revenue in the financial statements until received by the Organization. Annual distributions from these funds have been shown as contribution revenue in the statement of activities and changes in net assets. These distributions were \$166,561 and \$154,742 for the years ended December 31, 2015 and 2014, respectively.

Functional Allocation of Expenses - The costs of providing program and support services have been reported on a functional basis in the statement of activities and changes in net assets. Indirect costs have been allocated between the various programs and support services based on estimates, as determined by management. Although the methods of allocation used are considered reasonable, other methods could be used that would produce different amounts.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

Risks and Uncertainties - The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

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.

Federal Income Taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). The Internal Revenue Service has classified the Organization as an organization that is not a private foundation. Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Organization and has concluded that as of December 31, 2015 and 2014, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examinations for years prior to 2012.

Upcoming Accounting Changes - In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Organization's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Organization has not yet determined which application method it will use or the potential effects of the new standard on the financial statements, if any.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 1 - Nature of Activities and Significant Accounting Policies (Continued)

In February 2016, the Financial Accounting Standards Board issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-of-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease footnote guidance will be effective for the Organization's year ending December 31, 2020 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The effect of applying the new lease guidance on the financial statements has not yet been determined.

Subsequent Events - The financial statements and related disclosures include evaluation of events up through and including July 13, 2016, which is the date the financial statements were available to be issued.

Note 2 - Capital Campaign Pledges Receivable

Starting in 2006, the Organization began soliciting funds for a capital campaign to construct a new facility. Pledge commitments extend through 2015. Capital campaign pledges receivable as of December 31, 2015 and 2014 are as follows:

	2015	2014
Pledges before unamortized discount	\$ 211,050	\$ 615,420
Less unamortized discount and allowance for uncollectible pledges	<u>(78,050)</u>	<u>(475,420)</u>
Net pledges receivable	<u>\$ 133,000</u>	<u>\$ 140,000</u>
Amounts due in:		
Less than one year	\$ 211,050	\$ 610,420
One to five years	<u>-</u>	<u>5,000</u>
Total	<u>\$ 211,050</u>	<u>\$ 615,420</u>

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 3 - Investments

Investments consist of the following at December 31:

	<u>2015</u>	<u>2014</u>
Bank trust fund:		
Cash equivalents	\$ 304,008	\$ 330,435
Equity securities (Note 8)	1,098,233	903,991
Debt securities (Note 8)	1,431,456	560,680
Mutual funds (Note 8)	-	632,487
Total investments	<u>\$ 2,833,697</u>	<u>\$ 2,427,593</u>

Investment income consists of the following at December 31:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 61,272	\$ 53,191
Realized and unrealized (losses) gains	<u>(41,433)</u>	<u>60,364</u>
Total	<u>\$ 19,839</u>	<u>\$ 113,555</u>

Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2015</u>	<u>2014</u>
Buildings and improvements	\$ 7,568,018	\$ 7,538,834
Equipment	528,425	502,502
Vehicles	104,405	104,405
Computer software	66,058	53,330
Construction in progress	<u>25,853</u>	<u>7,964</u>
Total cost	8,292,759	8,207,035
Accumulated depreciation	<u>(1,674,801)</u>	<u>(1,399,660)</u>
Net carrying amount	<u>\$ 6,617,958</u>	<u>\$ 6,807,375</u>

Depreciation expense was \$275,141 and \$282,860 at December 31, 2015 and 2014, respectively.

The Organization owns approximately six acres of land on which part of the operating facility is located. The land was contributed to the Organization in 1951. The land is permanently restricted by deed for use only as an animal shelter and any other use of the land may result in reversion of ownership to the former owner of the land. There is no value assigned to the land in these financial statements.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 4 - Property and Equipment (Continued)

In 2008, the Organization entered into a 65-year land lease with the Regents of the University of Michigan for an additional 4.82 acres of vacant land on which to construct the new facility. The lease rent is \$8,000 annually for the first 30 years and \$1 annually for the remainder of the lease for a total rent expense of \$240,036. The Organization subsequently subleased this land to the County of Washtenaw (see Note 6).

During 2009, the Organization substantially completed the construction of its new building. The construction was financed with contributions and with the proceeds from tax-exempt bonds issued by Washtenaw County (the "County"), which the Organization is obligated to repay to the County (see Note 6). The cost of the new facility was approximately \$7.5 million. Accumulated amortization was \$1,114,858 and \$932,352 at December 31, 2015 and 2014, respectively. Amortization expense is included in depreciation expense above and on the statement of functional expenses.

Note 5 - Temporarily Restricted Net Assets

The Organization receives contributions whereon the donor places certain temporary restrictions on the use of the funds. In addition, bequests receivable are considered time restricted until they are collected by the Organization and available to use for operations. Below is a summary of the amounts temporarily restricted as of December 31:

	2015	2014
Time-restricted contributions	\$ 60,000	\$ -
Program activities	11,098	11,526
Total	<u>\$ 71,098</u>	<u>\$ 11,526</u>

Note 6 - Capital Leases

In September 2008, the County of Washtenaw, Michigan (the "County") issued \$6,500,000 of Capital Improvement Bonds, Series 2007. The bonds are dated September 1, 2008 and are due in annual installments of \$825,000 to \$1,050,000 through January 1, 2015, plus interest at 2.75 to 4.125 percent. The proceeds of the bond issue were used to construct a new 29,165 square-foot building, including equipment and furnishings, to be used by the Organization.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 6 - Capital Leases (Continued)

The County and the Organization have entered into an operating agreement dated October 1, 2008, whereby the County is subleasing from the Organization the land on which the facility is located. The County is, in turn, leasing the land and building back to the Organization for the seven-year bond repayment period. Once the County's bond issue has been fully repaid by the Organization, the County has agreed to transfer title of the new facility to the Organization. The Organization has retained title to the land. This agreement is classified as a capital lease in the Organization's financial statements. The capital lease was paid in full as of December 31, 2014.

Note 7 - Employee Benefit Plan

The Organization has an employee 401(k) salary deferral plan. All employees who have reached the age of 18, with at least 1,000 hours and one year of service, are eligible to participate in the plan. The Organization matches 100 percent of a participant's elective deferral up to a maximum of 2 percent of gross pay as limited by the Internal Revenue Service. The Organization made contributions of \$34,846 and \$27,289 to the plan for the years ended December 31, 2015 and 2014, respectively.

Note 8 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2015 and 2014 and the valuation techniques used by the Organization to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Organization has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets, and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 8 - Fair Value Measurements (Continued)

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Organization's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2015

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2015
Assets - Investments				
Equity securities (ETF)	\$ 1,098,233	\$ -	\$ -	\$ 1,098,233
Debt securities (ETF)	1,431,456	-	-	1,431,456
Total investments	<u>\$ 2,529,689</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,529,689</u>

Assets Measured at Fair Value on a Recurring Basis at December 31, 2014

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2014
Assets - Investments				
Equity securities (domestic)	\$ 903,991	\$ -	\$ -	\$ 903,991
Debt securities (corporate bonds)	-	455,832	-	455,832
Debt securities (U.S. government agency bonds)	-	50,115	-	50,115
Debt securities (municipal bonds)	-	54,733	-	54,733
Mutual funds (equity)	118,320	-	-	118,320
Mutual funds (global)	26,355	-	-	26,355
Mutual funds (fixed-income)	487,812	-	-	487,812
Total investments	<u>\$ 1,536,478</u>	<u>\$ 560,680</u>	<u>\$ -</u>	<u>\$ 2,097,158</u>

Not included in the tables above are cash equivalents totaling \$304,008 and \$330,435 at December 31, 2015 and 2014, respectively.

Humane Society of Huron Valley

Notes to Financial Statements December 31, 2015 and 2014

Note 8 - Fair Value Measurements (Continued)

The fair values of U.S. government agency bonds, corporate bonds, and municipal bonds are valued using quoted market prices and other market data for the same or comparable instruments and transactions in establishing the prices, discounted cash flow models, and other pricing models. These models are primarily industry-standard models that consider various assumptions, including time value and yield curve as well as other relevant economic measures.