

# **Humane Society of Huron Valley**

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**Financial Report  
December 31, 2016**

# **Humane Society of Huron Valley**

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## **Contents**

<b>Report Letter</b>	<b>1</b>
<b>Financial Statements</b>	
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	7-15

## 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, 2016 and 2015 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, 2016 and 2015 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*

August 3, 2017

# Humane Society of Huron Valley

## Balance Sheet

	December 31, 2016	December 31, 2015
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 1,262,345	\$ 1,025,363
Receivables:		
Accounts receivable	25,833	77,353
Contributions receivable	82,675	535
Capital campaign pledges receivable - Net (Note 2)	125,000	133,000
Bequests receivable	145,000	60,000
Investments (Note 7)	2,792,529	2,836,700
Prepaid expenses and other current assets	165,834	145,182
Total current assets	4,599,216	4,278,133
<b>Restricted Cash</b>	75,120	75,083
<b>Property and Equipment - Net (Note 4)</b>	6,521,092	6,617,958
Total assets	<b>\$ 11,195,428</b>	<b>\$ 10,971,174</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Trade accounts payable	\$ 170,042	\$ 135,764
Deferred revenue	70,123	105,924
Accrued liabilities and other	192,166	152,045
Total current liabilities	432,331	393,733
<b>Net Assets</b>		
Unrestricted:		
Undesignated	8,650,607	8,837,098
Board designated (Note 1)	1,772,780	1,669,245
Temporarily restricted (Note 5)	339,710	71,098
Total net assets	10,763,097	10,577,441
Total liabilities and net assets	<b>\$ 11,195,428</b>	<b>\$ 10,971,174</b>

# Humane Society of Huron Valley

## Statement of Activities and Changes in Net Assets

	Year Ended					
	December 31, 2016			December 31, 2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and Support</b>						
Contributions	\$ 2,302,474	\$ 192,892	\$ 2,495,366	\$ 2,411,891	\$ 9,314	\$ 2,421,205
Bequests	82,134	135,000	217,134	-	269,392	269,392
Donated advertising, supplies, and equipment	156,200	-	156,200	75,431	-	75,431
Operations	2,967,841	-	2,967,841	2,828,892	-	2,828,892
Retail sales	270,156	-	270,156	246,494	-	246,494
Special event revenue	364,509	-	364,509	386,106	-	386,106
Investment income (Note 3)	181,477	-	181,477	19,839	-	19,839
Loss on sale of property and equipment	(50)	-	(50)	-	-	-
Miscellaneous income	215	-	215	125	-	125
Total revenue and support	6,324,956	327,892	6,652,848	5,968,778	278,706	6,247,484
<b>Net Assets Released from Restrictions</b>	59,280	(59,280)	-	219,134	(219,134)	-
Total revenue, support, and net assets released from restrictions	6,384,236	268,612	6,652,848	6,187,912	59,572	6,247,484
<b>Expenses</b>						
Program services:						
Clinic	1,693,543	-	1,693,543	1,652,566	-	1,652,566
Shelter	2,615,665	-	2,615,665	2,408,108	-	2,408,108
Support programs	819,796	-	819,796	676,039	-	676,039
Cruelty/Rescue	338,407	-	338,407	360,327	-	360,327
Total program services	5,467,411	-	5,467,411	5,097,040	-	5,097,040
Support services:						
Administration	285,960	-	285,960	225,125	-	225,125
Development	686,977	-	686,977	621,536	-	621,536
Capital campaign	26,844	-	26,844	33,256	-	33,256
Total expenses	6,467,192	-	6,467,192	5,976,957	-	5,976,957
<b>(Decrease) Increase in Net Assets</b>	(82,956)	268,612	185,656	210,955	59,572	270,527
<b>Net Assets - Beginning of year</b>	10,506,343	71,098	10,577,441	10,295,388	11,526	10,306,914
<b>Net Assets - End of year</b>	<b>\$ 10,423,387</b>	<b>\$ 339,710</b>	<b>\$ 10,763,097</b>	<b>\$ 10,506,343</b>	<b>\$ 71,098</b>	<b>\$ 10,577,441</b>

See Notes to Financial Statements.

# Humane Society of Huron Valley

## Statement of Functional Expenses Year Ended December 31, 2016

	Program Services					Support Services			2016 Total
	Clinic	Shelter	Support Programs	Cruelty/Rescue	Total	Administration	Development	Marketing and Capital Campaign	
Salaries	\$ 708,555	\$ 1,416,206	\$ 465,621	\$ 184,700	\$ 2,775,082	\$ 122,205	\$ 266,104	\$ -	\$ 3,163,391
Employee benefits	166,814	362,826	124,183	58,295	712,118	28,725	62,576	-	803,419
Total salaries and related expenses	875,369	1,779,032	589,804	242,995	3,487,200	150,930	328,680	-	3,966,810
Professional fees	27,867	38,683	6,021	3,010	75,581	76,345	-	-	151,926
Animal removal, outside vet, and lab	6,423	12,959	-	-	19,382	-	-	-	19,382
Medical and animal supplies	358,943	184,895	867	310	545,015	-	-	-	545,015
Vehicle fuel	133	439	44	5,601	6,217	23	-	-	6,240
Contract labor	16,424	2,675	36,863	-	55,962	350	13,974	7,910	78,196
Supplies	51,460	130,815	17,769	11,649	211,693	8,752	24,790	211	245,446
Microchips/Trap neuter return	4,648	24,836	-	-	29,484	-	-	-	29,484
Postage and shipping	1,571	702	427	22	2,722	813	10,980	104	14,619
Insurance	19,920	35,386	11,243	12,280	78,829	9,373	-	-	88,202
Repair and maintenance	22,596	32,518	6,464	4,678	66,256	3,231	-	-	69,487
Travel	-	1,206	4,517	803	6,526	314	187	59	7,086
Printing	110	3	282	-	395	-	9,016	10,892	20,303
Utilities	32,884	57,771	10,961	5,481	107,097	5,497	-	-	112,594
Telephone	3,868	8,045	1,289	645	13,847	645	-	-	14,492
Memberships and subscriptions	6,779	7,156	5,325	1,985	21,245	1,915	38,195	1,288	62,643
Publicity and advertising	29,410	25,540	6,352	6,352	67,654	-	-	-	67,654
Newsletter	6,139	6,139	1,535	1,536	15,349	-	5,116	-	20,465
Appeals	-	-	-	-	-	-	195,391	6,380	201,771
Merchandise	47,769	9,488	81,869	-	139,126	-	-	-	139,126
Support programs	127	239	1,650	-	2,016	71	3,917	-	6,004
Licenses and permits	1,770	1,444	173	48	3,435	66	2,500	-	6,001
Miscellaneous	1,720	1,365	679	200	3,964	4,294	-	-	8,258
Uncollectible accounts	7,767	1,185	-	-	8,952	-	-	-	8,952
Donated goods and services	56,971	56,993	14,243	14,243	142,450	13,750	-	-	156,200
Credit card fees	24,400	12,733	775	26	37,934	-	31,785	-	69,719
Land lease/Building rental	-	35,959	-	-	35,959	3,693	16,547	-	56,199
Depreciation	88,475	147,459	20,644	26,543	283,121	5,898	5,899	-	294,918
Total functional expenses	<u>\$ 1,693,543</u>	<u>\$ 2,615,665</u>	<u>\$ 819,796</u>	<u>\$ 338,407</u>	<u>\$ 5,467,411</u>	<u>\$ 285,960</u>	<u>\$ 686,977</u>	<u>\$ 26,844</u>	<u>\$ 6,467,192</u>

# Humane Society of Huron Valley

## Statement of Functional Expenses Year Ended December 31, 2015

	Program Services					Support Services			2015 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
Newsletter	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 goods and services	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/Building rental	-	-	-	-	-	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 Cash Flows

	Year Ended	
	December 31, 2016	December 31, 2015
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 185,656	\$ 270,527
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	294,918	275,141
Bad debt expense (recovery)	8,952	(394,770)
Net realized and unrealized (gain) loss on investments	(124,928)	41,433
Loss on sale of assets	50	-
Changes in operating assets and liabilities which provided (used) cash:		
Accounts receivable	42,568	(68,605)
Contributions receivable	(82,140)	69,101
Bequest receivable	(85,000)	(60,000)
Prepaid expenses and other current assets	(20,652)	(51,688)
Trade accounts payable	34,278	(3,603)
Deferred revenue	(35,801)	(23,686)
Accrued liabilities and other	40,121	(84,672)
Net cash provided by (used in) operating activities	258,022	(30,822)
<b>Cash Flows from Investing Activities</b>		
Change in restricted cash	(37)	(38)
Purchase of property and equipment	(198,802)	(85,724)
Proceeds from disposition of property and equipment	700	-
Purchases of investments	(57,943)	(2,497,840)
Proceeds from sales and maturities of investments	227,042	2,047,300
Net cash used in investing activities	(29,040)	(536,302)
<b>Cash Flows from Financing Activities</b> - Proceeds from capital campaign contribution	8,000	404,370
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	236,982	(162,754)
<b>Cash and Cash Equivalents</b> - Beginning of year	1,025,363	1,188,117
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 1,262,345</u>	<u>\$ 1,025,363</u>



# Humane Society of Huron Valley

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## Notes to Financial Statements December 31, 2016 and 2015

### 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, 2016 and 2015.

**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, 2016 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, 2016 and 2015.

**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 \$0 and \$78,050 had been recorded against these receivables as of December 31, 2016 and 2015, respectively. The decrease in the allowance in 2016 is due to the write-off of pledges with a balance of \$78,050.

**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, 2016 and 2015.

# Humane Society of Huron Valley

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## Notes to Financial Statements December 31, 2016 and 2015

### 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 7.

**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 104,615 and 85,275 during 2016 and 2015, respectively. This information has not been audited.

# Humane Society of Huron Valley

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## Notes to Financial Statements December 31, 2016 and 2015

### 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, 2016 and 2015. 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. 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 \$1,772,780 and \$1,669,245 at December 31, 2016 and 2015, 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 \$4,085,443 and \$4,005,771 at December 31, 2016 and 2015, 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 \$185,265 and \$166,561 for the years ended December 31, 2016 and 2015, 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

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## Notes to Financial Statements December 31, 2016 and 2015

### 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).

**Upcoming Accounting Changes** - The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in August 2016. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Organization's year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization is currently evaluating the impact this standard will have on the financial statements.

In May 2014, the FASB issued 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, 2016 and 2015

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

In February 2016, the FASB 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 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 new lease standard is expected to have an insignificant effect on the Organization's financial statements as a result of the current lease agreement for use of operating space classified as an operating lease. The effect of applying the new lease guidance on the financial statements is expected to increase long-term assets and short- and long-term liabilities upon adoption. There is not expected to be a significant impact on the statement of activities and changes in net assets.

**Subsequent Events** - The financial statements and related disclosures include evaluation of events up through and including August 3, 2017, 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, 2016 and 2015 are as follows:

	2016	2015
Pledges before unamortized discount	\$ 125,000	\$ 211,050
Less unamortized discount and allowance for uncollectible pledges	-	(78,050)
Net pledges receivable	<u>\$ 125,000</u>	<u>\$ 133,000</u>
Amounts due in less than one year	\$ 125,000	\$ 211,050

# Humane Society of Huron Valley

## Notes to Financial Statements December 31, 2016 and 2015

### Note 3 - Investment Income

Investment income consists of the following at December 31:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 56,549	\$ 61,272
Realized and unrealized gains (losses)	<u>124,928</u>	<u>(41,433)</u>
Total	<u>\$ 181,477</u>	<u>\$ 19,839</u>

### Note 4 - Property and Equipment

The cost of property and equipment is summarized as follows:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 7,618,064	\$ 7,568,018
Equipment	533,267	528,425
Vehicles	134,788	104,405
Computer software	49,357	66,058
Construction in progress	<u>65,837</u>	<u>25,853</u>
Total cost	8,401,313	8,292,759
Accumulated depreciation	<u>(1,880,221)</u>	<u>(1,674,801)</u>
Net carrying amount	<u>\$ 6,521,092</u>	<u>\$ 6,617,958</u>

Depreciation expense was \$294,918 and \$275,141 at December 31, 2016 and 2015, 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.

In 2008, the Organization entered into a 65-year operating land lease with the Regents of the University of Michigan for an additional 4.82 acres of vacant land, adjacent to the owned 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.

# Humane Society of Huron Valley

## Notes to Financial Statements December 31, 2016 and 2015

### 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:

	<u>2016</u>	<u>2015</u>
Time-restricted contributions	\$ 175,000	\$ 60,000
Program activities	<u>164,710</u>	<u>11,098</u>
Total	<u>\$ 339,710</u>	<u>\$ 71,098</u>

### Note 6 - 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 \$38,833 and \$34,846 to the plan for the years ended December 31, 2016 and 2015, respectively.

### Note 7 - 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, 2016 and 2015 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, 2016 and 2015

### Note 7 - 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, 2016

	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, 2016
Investments:				
Equity securities (ETF)	\$ 1,146,338	\$ -	\$ -	\$ 1,146,338
Debt securities (ETF)	1,340,808	-	-	1,340,808
Total investments	<u>\$ 2,487,146</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,487,146</u>

#### 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
Investments:				
Equity securities (ETF)	\$ 1,098,233	\$ -	\$ -	\$ 1,098,233
Debt securities (ETF)	1,431,456	-	-	1,431,456
Other equity securities	-	3,003	-	3,003
Total investments	<u>\$ 2,529,689</u>	<u>\$ 3,003</u>	<u>\$ -</u>	<u>\$ 2,532,692</u>

Not included in the tables above are cash equivalents totaling \$305,383 and \$304,008 at December 31, 2016 and 2015, respectively.



# Humane Society of Huron Valley

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## Notes to Financial Statements December 31, 2016 and 2015

### Note 8 - Operating Leases

During 2016, the Organization entered into an operating lease agreement for land and a building that serves as Tiny Lions Cat Cafe. The agreement expires in 2019. The following is a schedule of future minimum rental payments for the years ending December 31:

2017	\$	40,326
2018		41,133
2019		<u>3,433</u>
Total	\$	<u>84,892</u>

Total rent expense for this lease was \$36,300 and \$0 for the years ended December 31, 2016 and 2015, respectively.