Humane Society of Huron Valley

Financial Report

December 31, 2017

Humane Society of Huron Valley

Contents

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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, 2017 and 2016 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, 2017 and 2016 and the changes in its net assets, functional expenses, 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 8, 2018

Balance Sheet

December 31, 2017 and 2016

	2017	2016
Assets		
Current Assets		
Cash and cash equivalents	$ 1,064,564	$ 1,262,345
Investments (Note 7)	3,475,230	2,792,529
Receivables:		
Accounts receivable	73,095	25,833
Contributions receivable	115,769	82,675
Capital campaign pledges receivable - Net	120,000	125,000
Bequests receivable	70,500	145,000
Prepaid expenses and other current assets	209,532	165,834
Total current assets	5,128,690	4,599,216
Restricted Cash	-	75,120
Property and Equipment - Net (Note 4)	6,598,184	6,521,092
Total assets	**$ 11,726,874**	**$ 11,195,428**
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	$ 172,314	$ 170,042
Accrued liabilities and other	208,218	192,166
Deferred revenue	2,269	70,123
Total current liabilities	382,801	432,331
Net Assets		
Unrestricted net assets:		
Undesignated	9,141,497	8,650,607
Board designated (Note 2)	1,945,530	1,772,780
Temporarily restricted net assets (Note 5)	257,046	339,710
Total net assets	11,344,073	10,763,097
Total liabilities and net assets	**$ 11,726,874**	**$ 11,195,428**

See notes to financial statements.

Statement of Activities and Changes in Net Assets

Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Contributions	$ 2,547,642	$ 166,172	$ 2,713,814	$ 2,302,474	$ 192,892	$ 2,495,366
Bequests	223,304	45,500	268,804	82,134	135,000	217,134
Donated advertising, supplies, and equipment	128,596	-	128,596	156,200	-	156,200
Operations	3,628,406	-	3,628,406	2,967,841	-	2,967,841
Retail sales	276,113	-	276,113	270,156	-	270,156
Special event revenue	376,732	-	376,732	364,509	-	364,509
Investment income (Note 3)	310,988	-	310,988	181,477	-	181,477
Gain (loss) on sale of property and equipment	1,600	-	1,600	(50)	-	(50)
Miscellaneous income	1,800	-	1,800	215	-	215
Total revenue and support	7,495,181	211,672	7,706,853	6,324,956	327,892	6,652,848
Net Assets Released from Restrictions	294,336	(294,336)	-	59,280	(59,280)	-
Total revenue, support ,and net assets released from restrictions	7,789,517	(82,664)	7,706,853	6,384,236	268,612	6,652,848
Expenses						
Program expenses:						
Clinic	1,846,538	-	1,846,538	1,693,543	-	1,693,543
Shelter	2,939,358	-	2,939,358	2,615,665	-	2,615,665
Support programs	901,664	-	901,664	819,796	-	819,796
Cruelty/Rescue	355,832	-	355,832	338,407	-	338,407
Total program expenses	6,043,392	-	6,043,392	5,467,411	-	5,467,411
Support services:						
Administration	316,415	-	316,415	285,960	-	285,960
Development	755,138	-	755,138	686,977	-	686,977
Capital campaign	10,932	-	10,932	26,844	-	26,844
Total expenses	7,125,877	-	7,125,877	6,467,192	-	6,467,192
Increase (Decrease) in Net Assets	663,640	(82,664)	580,976	(82,956)	268,612	185,656
Net Assets - Beginning of year	10,423,387	339,710	10,763,097	10,506,343	71,098	10,577,441
Net Assets - End of year	**$ 11,087,027**	**$ 257,046**	**$ 11,344,073**	**$ 10,423,387**	**$ 339,710**	**$ 10,763,097**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2017

	Program Services					Support Services				
	Clinic	Shelter	Support Programs	Cruelty/ Rescue	Total	Administration	Development	Marketing and Capital Campaign	Total	Total
Salaries	$ 753,553	$ 1,567,880	$ 517,374	$ 195,293	$ 3,034,100	$ 132,831	$ 285,912	$ -	$ 418,743	$ 3,452,843
Employee benefits	171,446	384,526	138,625	49,626	744,223	30,312	62,505	-	92,817	837,040
Total salaries and related expenses	924,999	1,952,406	655,999	244,919	3,778,323	163,143	348,417	-	511,560	4,289,883
Professional fees	18,228	30,505	6,076	3,038	57,847	100,550	-	-	100,550	158,397
Animal removal, outside vet, and lab	10,525	24,713	-	62	35,300	-	-	-	-	35,300
Medical and animal supplies	403,745	240,754	969	1,022	646,490	-	-	-	-	646,490
Vehicle fuel	469	4,863	143	7,966	13,441	72	-	-	72	13,513
Contract labor	40,516	8,830	45,025	2,833	97,204	-	10,155	3,169	13,324	110,528
Supplies	65,875	150,856	18,742	12,196	247,669	12,260	27,720	56	40,036	287,705
Microchips/Trap neuter return	2,705	25,748	-	-	28,453	-	-	-	-	28,453
Postage and shipping	1,134	129	509	39	1,811	477	10,698	58	11,233	13,044
Insurance	26,659	42,006	11,346	9,828	89,839	11,692	-	-	11,692	101,531
Repair and maintenance	21,582	32,137	6,257	11,290	71,266	3,128	-	-	3,128	74,394
Travel	604	9,609	4,298	540	15,051	57	70	24	151	15,202
Printing	2,929	6,713	2,685	671	12,998	-	12,960	-	12,960	25,958
Utilities	35,384	62,997	11,795	5,897	116,073	5,897	-	-	5,897	121,970
Telephone	4,256	8,781	1,419	709	15,165	710	-	-	710	15,875
Memberships and subscriptions	8,414	8,357	5,108	2,026	23,905	1,014	41,596	2,614	45,224	69,129
Publicity and advertising	31,706	31,706	7,927	7,926	79,265	-	-	-	-	79,265
Newsletter	9,525	9,525	2,381	2,382	23,813	-	7,937	-	7,937	31,750
Appeals	-	-	-	-	-	-	233,839	-	233,839	233,839
Merchandise	47,639	10,316	83,376	-	141,331	-	-	-	-	141,331
Support programs	2,297	3,829	766	383	7,275	3,660	500	11	4,171	11,446
Licenses and permits	1,548	3,071	434	262	5,315	64	950	-	1,014	6,329
Miscellaneous	120	767	74	35	996	3,152	-	-	3,152	4,148
Uncollectible accounts	13,043	2,836	70	-	15,949	-	-	5,000	5,000	20,949
Donated goods and services	51,276	51,276	12,819	12,820	128,191	405	-	-	405	128,596
Credit card fees	24,741	15,270	901	2	40,914	-	36,636	-	36,636	77,550
Land lease/Building rental	-	40,326	-	-	40,326	3,693	17,218	-	20,911	61,237
Depreciation	96,619	161,032	22,545	28,986	309,182	6,441	6,442	-	12,883	322,065
Total functional expenses	**$ 1,846,538**	**$ 2,939,358**	**$ 901,664**	**$ 355,832**	**$ 6,043,392**	**$ 316,415**	**$ 755,138**	**$ 10,932**	**$ 1,082,485**	**$ 7,125,877**

See notes to financial statements.

Statement of Functional Expenses

Year Ended December 31, 2016

	Program Services					Support Services				
	Clinic	Shelter	Support Programs	Cruelty/ Rescue	Total	Administration	Development	Marketing and Capital Campaign	Total	Total
Salaries	$ 708,555	$ 1,416,206	$ 465,621	$ 184,700	$ 2,775,082	$ 122,205	$ 266,104	$ -	$ 388,309	$ 3,163,391
Employee benefits	166,814	362,826	124,183	58,295	712,118	28,725	62,576	-	91,301	803,419
	875,369	1,779,032	589,804	242,995	3,487,200	150,930	328,680	-	479,610	3,966,810
Professional fees	27,867	38,683	6,021	3,010	75,581	76,345	-	-	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	-	-	23	6,240
Contract labor	16,424	2,675	36,863	-	55,962	350	13,974	7,910	22,234	78,196
Supplies	51,460	130,815	17,769	11,649	211,693	8,752	24,790	211	33,753	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	11,897	14,619
Insurance	19,920	35,386	11,243	12,280	78,829	9,373	-	-	9,373	88,202
Repair and maintenance	22,596	32,518	6,464	4,678	66,256	3,231	-	-	3,231	69,487
Travel	-	1,206	4,517	803	6,526	314	187	59	560	7,086
Printing	110	3	282	-	395	-	9,016	10,892	19,908	20,303
Utilities	32,884	57,771	10,961	5,481	107,097	5,497	-	-	5,497	112,594
Telephone	3,868	8,045	1,289	645	13,847	645	-	-	645	14,492
Memberships and subscriptions	6,779	7,156	5,325	1,985	21,245	1,915	38,195	1,288	41,398	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	-	5,116	20,465
Appeals	-	-	-	-	-	-	195,391	6,380	201,771	201,771
Merchandise	47,769	9,488	81,869	-	139,126	-	-	-	-	139,126
Support programs	127	239	1,650	-	2,016	71	3,917	-	3,988	6,004
Licenses and permits	1,770	1,444	173	48	3,435	66	2,500	-	2,566	6,001
Miscellaneous	1,720	1,365	679	200	3,964	4,294	-	-	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	-	-	13,750	156,200
Credit card fees	24,400	12,733	775	26	37,934	-	31,785	-	31,785	69,719
Land lease/Building rental	-	35,959	-	-	35,959	3,693	16,547	-	20,240	56,199
Depreciation	88,475	147,459	20,644	26,543	283,121	5,898	5,899	-	11,797	294,918
Total functional expenses	**$ 1,693,543**	**$ 2,615,665**	**$ 819,796**	**$ 338,407**	**$ 5,467,411**	**$ 285,960**	**$ 686,977**	**$ 26,844**	**$ 999,781**	**$ 6,467,192**

See notes to financial statements.

Statement of Cash Flows

Years Ended December 31, 2017 and 2016

	2017	2016
Cash Flows from Operating Activities		
Increase in net assets	$ 580,976	$ 185,656
Adjustments to reconcile increase in net assets to net cash and cash equivalents from operating activities:		
Depreciation	322,065	294,918
Net realized and unrealized gain on investments	(246,731)	(124,928)
Bad debt expense	20,949	8,952
(Gain) loss on sale of assets	(1,600)	50
Changes in operating assets and liabilities which (used) provided cash and cash equivalents:		
Accounts receivable	(63,211)	42,568
Contributions receivable	(33,094)	(82,140)
Bequests receivable	74,500	(85,000)
Prepaid expenses and other current assets	(43,698)	(20,652)
Trade accounts payable	2,272	34,278
Deferred revenue	(67,854)	(35,801)
Accrued liabilities and other	16,052	40,121
Net cash and cash equivalents provided by operating activities	560,626	258,022
Cash Flows from Investing Activities		
Change in restricted cash	75,120	(37)
Purchase of property and equipment	(399,157)	(198,802)
Proceeds from disposition of property and equipment	1,600	700
Purchases of investments	(1,036,079)	(57,943)
Proceeds from sales and maturities of investments	600,109	227,042
Net cash and cash equivalents used in investing activities	(758,407)	(29,040)
Cash Flows Provided by Financing Activities - Proceeds from capital campaign contribution	-	8,000
Net (Decrease) Increase in Cash and Cash Equivalents	(197,781)	236,982
Cash and Cash Equivalents - Beginning of year	1,262,345	1,025,363
Cash and Cash Equivalents - End of year	**$ 1,064,564**	**$ 1,262,345**

See notes to financial statements.

Note 1 - Nature of Business

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.

Note 2 - Significant Accounting Policies

Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less when purchased 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 net 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. Management considers all accounts receivable collectible and, therefore, an allowance for doubtful accounts has not been recorded at December 31, 2017 and 2016.

Contributions Receivable, Capital Campaign Pledges Receivable, and Bequests Receivable

Contributions receivable, capital campaign pledges, and bequests are considered contributions receivable on the balance sheet. The Organization's contributions receivable are composed primarily of amounts committed from various donors for use in the Organization's activities.

The Organization's capital campaign pledges receivable is comprised of a final uncollected pledge for use in the construction of the Organization's facility, which was completed in 2009.

Bequests receivable consists of wills and estates for which the will was validated by probate court or trusts that have become irrevocable.

All contributions, capital campaign pledges, and bequests receivable at December 31, 2017 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, 2017 and 2016.

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. The organization held $0 and $75,120 of restricted cash at December 31, 2017 and 2016, respectively. The restriction was removed in 2017.

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.

Note 2 - Significant Accounting Policies (Continued)

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 113,181 and 104,615 during 2017 and 2016, respectively. This information has not been audited.

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, 2017 and 2016. 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 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 $1,945,530 and $1,772,780 at December 31, 2017 and 2016, respectively.

Note 2 - Significant Accounting Policies (Continued)

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 were $4,561,708 and $4,085,443 at December 31, 2017 and 2016, 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 $191,374 and $185,265 for the years ended December 31, 2017 and 2016, respectively.

Functional Allocation of Expenses

Costs of providing the 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 on several bases and estimates, as determined by management. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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. Actual results could differ from those estimates.

Federal Income Taxes

The Organization is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3).

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) 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 is in the process of determining which application method is will use and believes there may be some impact on the timing of revenue recognition related to the county contract to provide services to Washtenaw County.

Note 2 - Significant Accounting Policies (Continued)

In February 2016, the Financial Accounting Standards Board (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 based on leases effective as of December 31, 2017 and disclosed in Note 8. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In August 2016, 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*. 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 standard is expected to have an in impact on the Organization's net asset presentation, result in enhanced liquidity and availability of resources disclosures, and may result in changes in the allocation of common costs to program service expenses.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including August 8, 2018, which is the date the financial statements were available to be issued.

Note 3 - Investment Income

Investment income consists of the following at December 31:

	2017	2016
Interest and dividends	$ 64,257	$ 56,549
Realized and unrealized gains	246,731	124,928
Total	$ 310,988	$ 181,477

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2017	2016
Building and improvements	$ 7,929,952	$ 7,618,064
Equipment	582,585	533,267
Vehicles	184,140	134,788
Computer software	49,357	49,357
Construction in progress	30,110	65,837
Total cost	8,776,144	8,401,313
Accumulated depreciation	2,177,960	1,880,221
Net property and equipment	$ 6,598,184	$ 6,521,092

Depreciation expense for 2017 and 2016 was $322,065 and $294,918, 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 total rent payments of $240,036. The Organization recognizes rent expense on a straight-line basis over the life of the lease.

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:

	2017	2016
Time-restricted contributions	$ 70,500	$ 175,000
Program activities	186,546	164,710
Total	$ 257,046	$ 339,710

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 $41,390 and $38,833 to the plan for the years ended December 31, 2017 and 2016, 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.

Note 7 - Fair Value Measurements (Continued)

The following tables present information about the Organization's assets measured at fair value on a recurring basis at December 31, 2017 and 2016 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.

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, 2017			
	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, 2017
Investments:				
Equity securities (ETF)	$ 1,402,906	$ -	$ -	$ 1,402,906
Debt securities (ETF)	1,714,186	-	-	1,714,186
Total investments	$ 3,117,092	$ -	$ -	$ 3,117,092

	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	$ 2,487,146	$ -	$ -	$ 2,487,146

Not included in the tables above are cash equivalents totaling $358,138 and $305,383 at December 31, 2017 and 2016, respectively.

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.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2018	$ 41,133
2019	3,433
Total	$ 44,566

Total rent expense for this lease was approximately $40,000 and $36,000 for the years ended December 31, 2017 and 2016, respectively.