

Michigan Animal Rescue League

Financial Statements

December 31, 2013

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Independent Auditors' Report

To the Board of Directors of
Michigan Animal Rescue League
Pontiac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Animal Rescue League which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 Michigan Animal Rescue League as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Yeo & Yeo, P.C.

Southgate, Michigan
July 17, 2014

Michigan Animal Rescue League
Statement of Financial Position
December 31, 2013

Assets

Current assets

Cash and cash equivalents	\$ 398,535
Accounts receivable	10,117
Investments - unrestricted	1,651,120
Prepaid expenses	<u>2,349</u>

Total current assets 2,062,121

Endowment funds 52,027

Property and equipment, net 398,980

Total assets **\$ 2,513,128**

Liabilities and net assets

Current liabilities

Accounts payable	\$ 5,438
Accrued payroll and related taxes	<u>19,166</u>

Total current liabilities 24,604

Net assets

Unrestricted

Net investment in property and equipment	398,980
Undesignated	<u>2,051,715</u>

Total unrestricted 2,450,695

Permanently restricted 37,829

Total net assets 2,488,524

Total liabilities and net assets **\$ 2,513,128**

Michigan Animal Rescue League
Statement of Activities
For the Year Ended December 31, 2013

Revenue and other support	
Adoption	\$ 72,895
Contributions	322,081
Non-cash contributions	2,342
Fundraising income	431,226
Estate income	226,363
Interest income	500
Dividend income	32,353
Unrealized gains on investments	130,643
Realized gains on investments	21,304
Loss on asset disposal	<u>(88)</u>
 Total revenue and other support	 <u>1,239,619</u>
 Expenses and losses	
Program services	<u>491,555</u>
Supporting services	
Management and administrative	175,276
Development	<u>175,919</u>
 Total supporting services	 <u>351,195</u>
 Total expenses	 <u>842,750</u>
 Increase in net assets	 396,869
 Net assets - beginning of year	 <u>2,091,655</u>
 Net assets - end of year	 <u><u>\$ 2,488,524</u></u>

Michigan Animal Rescue League
Statement of Functional Expenses
For the Year Ended December 31, 2013

	<u>Supporting Services</u>				
	<u>Program Services</u>	<u>Management and Administrative</u>		<u>Total Supporting Services</u>	
		<u>Development</u>	<u>Services</u>	<u>Total</u>	<u>Total</u>
Salaries and wages	\$ 238,266	\$ 116,676	\$ 54,449	\$ 171,125	\$ 409,391
Payroll taxes	22,516	11,258	5,047	16,305	38,821
Outreach	27,982	-	-	-	27,982
Food and supplies	10,470	-	-	-	10,470
Hospital care and grooming	98,461	-	-	-	98,461
Pest control	698	-	-	-	698
Fundraising expense	-	90	100,752	100,842	100,842
Depreciation	18,080	9,040	4,053	13,093	31,173
Professional fees	918	9,660	-	9,660	10,578
Bank charges	4,175	2,088	936	3,024	7,199
Disposal	5,921	658	-	658	6,579
Insurance	10,473	5,236	2,347	7,583	18,056
Telephone and internet	3,471	1,736	778	2,514	5,985
Utilities	11,057	2,515	1,052	3,567	14,624
Licenses and fees	210	210	-	210	420
Alarm	905	904	-	904	1,809
Office expense	5,177	2,589	1,160	3,749	8,926
Postage	2,580	1,291	578	1,869	4,449
Advertising	2,055	1,028	461	1,489	3,544
Repairs and maintenance	9,702	1,078	-	1,078	10,780
Storage rental	2,076	1,038	465	1,503	3,579
Supplies	7,076	3,538	1,586	5,124	12,200
Vehicle expense	5,118	2,559	1,147	3,706	8,824
Website	4,040	2,020	905	2,925	6,965
Property taxes	128	64	29	93	221
Sales tax	-	-	174	174	174
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 491,555</u>	<u>\$ 175,276</u>	<u>\$ 175,919</u>	<u>\$ 351,195</u>	<u>\$ 842,750</u>

Michigan Animal Rescue League
Statement of Cash Flows
For the Year Ended December 31, 2013

Cash flows from operating activities

Increase in net assets	\$	396,869
Items not requiring cash		
Depreciation		31,173
Loss on property and equipment disposal		88
Unrealized gains on investments		(130,643)
Increase (decrease) in operating assets		
Accounts receivable		(10,117)
Prepaid expenses		6,126
Increase in operating liabilities		
Accounts payable		4,038
Accrued payroll and related taxes		483
		298,017
Net cash provided by operating activities		298,017

Cash flows from investing activities

Proceeds from sale of investments		(151,302)
Interest and dividends directly reinvested		(32,353)
Purchase of investments		(350,000)
Proceeds from sale of property and equipment		800
Purchase of property and equipment		(54,898)
		(587,753)
Net cash used by investing activities		(587,753)
Net decrease in cash and cash equivalents		(289,736)

Beginning cash and cash equivalents

688,271

Ending cash and cash equivalents

\$ 398,535

Michigan Animal Rescue League
Notes to Financial Statements
December 31, 2013

Note 1 - Nature of Activities and Significant Accounting Policies

Nature of Activities

Michigan Animal Rescue League (the Organization) is a Michigan non-profit corporation organized to operate an animal shelter in the City of Pontiac. The Organization is funded largely through the donations from the general public and does not receive any state or federal funding.

Donated Services

No amounts have been reflected in the financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance in fundraising, special projects and animal care. The Organization receives more than 6,800 volunteer hours per year with an estimated value of \$150,000.

Estimates

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

Property and Equipment

The Organization capitalizes acquisitions of property and equipment, which includes buildings, building improvements, furniture, equipment, kennels and vehicles. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to thirty-nine years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are taken into income.

Classification of Net Assets

Net assets of the Organization are classified as permanently restricted, temporarily restricted or unrestricted 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. At December 31, 2013, the Organization had no temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2013 was \$3,544.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Michigan Animal Rescue League
Notes to Financial Statements
December 31, 2013

The Organization's Federal Form 990, Return of Organization Exempt from Income Taxes, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Investments

Investments are reported at their fair market values in the Statement of Financial Position. Fair market value is determined from quoted prices as of the last day of the calendar year. Unrealized gains or losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For the purpose of the presentation of the Statement of Cash Flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable

The Organization uses the allowance method for accounting for doubtful accounts. Management reviews the collection history of its receivable balances. Based on management's review, no allowance was deemed necessary as of December 31, 2013.

Functional Expenses

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

Subsequent Events

Management has evaluated subsequent events through July 17, 2014, which is the date the financial statements were available to be issued.

Note 2 - Investments/Fair Value Measurements

Fair value of assets measured on a recurring basis, at December 31, 2013, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 4,812	\$ 4,812	\$ -	\$ -
Mutual funds				
Income funds	467,369	467,369	-	-
All asset funds	40,974	40,974	-	-
International funds	220,535	220,535	-	-
Equity funds	593,460	593,460	-	-
Growth funds	146,920	146,920	-	-
Bond funds	<u>229,077</u>	<u>229,077</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,703,147</u>	<u>\$ 1,703,147</u>	<u>\$ -</u>	<u>\$ -</u>

Michigan Animal Rescue League
Notes to Financial Statements
December 31, 2013

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments and endowment funds. The Organization measured fair value by using Level 1 inputs because they generally provide the most reliable evidence of fair value. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. It was not necessary to use any Level 2 and Level 3 inputs. Unrealized gains and losses are included in the change in net assets in the Statement of Activities.

Note 3 - Investments - Donor-Designated Endowments

The Organization follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Organization's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

Changes in endowment net assets as of December 31, 2013 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets				
Beginning of year	\$ 13,036	\$ -	\$ 37,829	\$ 50,865
Investment income and appreciation	1,162		-	1,162
Expenses	-	-	-	-
Endowment net assets				
End of year	\$ 14,198	\$ -	\$ 37,829	\$ 52,027

Note 4 - Property and Equipment

Property and equipment consist of the following:

Land	\$ 44,000
Buildings and improvements	374,185
Furniture and equipment	29,750
Kennels	299,868
Vehicles	43,667
	791,470
Accumulated depreciation	(392,490)
	\$ 398,980

Michigan Animal Rescue League
Notes to Financial Statements
December 31, 2013

Note 5 - Contingency

In the normal course of operations, there may be outstanding contingent liabilities such as lawsuits, etc., which are not reflected in the accompanying financial statements. The Organization's management is of the opinion that insurance coverage is adequate to cover any potential losses. No such liabilities have been asserted, therefore, no estimation of loss has been made.

Note 6 - Concentration

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high quality institutions. At times, such balances may be in excess of the FDIC insurance limit. At December 31, 2013, the Organization's uninsured cash deposits total was \$155,895.

In the current year, a significant nonrecurring contribution of \$100,000 was received from a single estate donation.