

**MICHIGAN ANIMAL RESCUE LEAGUE
(A NOT-FOR-PROFIT ORGANIZATION)**

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

AND

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Michigan Animal Rescue League (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and change in net assets, functional expenses and cash flows for the year 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 the 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 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 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 Michigan Animal Rescue League as of December 31, 2016, 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.

M R P R Group, P.C.

Southfield, Michigan
July 28, 2017

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL STATEMENTS:	
Statement of Financial Position, December 31, 2016	1
Statement of Activities and Changes in Net Assets, for the year ended December 31, 2016	2
Statement of Functional Expenses, for the year ended December 31, 2016	3
Statement of Cash Flows, for the year ended December 31, 2016	4
Notes to Financial Statements	5

MICHIGAN ANIMAL RESCUE LEAGUE

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 422,959
Investments - unrestricted	2,515,032
Accounts receivable:	
Estate donation receivable	30,000
Other receivables	9,174
Prepaid expenses	<u>19,717</u>
Total current assets	2,996,882
Endowment funds	50,522
Property and equipment, net	<u>529,357</u>
Total assets	<u><u>\$ 3,576,761</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 12,959
Accrued payroll and related taxes	21,585
Deferred event revenue	<u>19,200</u>
Total current liabilities	53,744

NET ASSETS:

Unrestricted	3,485,188
Permanently restricted	<u>37,829</u>
Total net assets	<u>3,523,017</u>
Total liabilities and net assets	<u><u>\$ 3,576,761</u></u>

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016**

REVENUE AND SUPPORT:

Adoption	\$ 81,190
Contributions	468,135
Fundraising	378,584
Estate	<u>335,540</u>
Total revenue and support	1,263,449

EXPENSES:

Program services	707,010
Supporting services:	
Management and administrative	125,349
Development	<u>217,898</u>
Total supporting services	<u>343,247</u>
Total expenses	<u>1,050,257</u>

REVENUE AND SUPPORT IN EXCESS OF EXPENSES 213,192

OTHER INCOME (EXPENSES):

Interest income	112
Dividend income	97,774
Unrealized gain on investments	81,906
Realized loss on investments	(4,187)
Loss on sale of assets	<u>(9,996)</u>
Total other income (expenses)	<u>165,609</u>

INCREASE IN UNRESTRICTED NET ASSETS 378,801

NET ASSETS, BEGINNING OF YEAR 3,144,216

NET ASSETS, END OF YEAR \$ 3,523,017

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Supporting Services</u>			<u>Total Supporting Services</u>	<u>Total</u>
	<u>Program Services</u>	<u>Management and Administrative</u>	<u>Development</u>		
Salaries and wages	\$ 378,807	\$ 70,090	\$ 86,141	\$ 156,231	\$ 535,038
Payroll taxes	36,443	6,743	8,287	15,030	51,473
Outreach	1,008				1,008
Food and supplies	7,983				7,983
Hospital care and grooming	147,703				147,703
Pest control	725				725
Fundraising expense			85,341	85,341	85,341
Offsite adoptions	1,247				1,247
Depreciation expense	43,161	2,272		2,272	45,433
Professional fees		9,236	30,477	39,713	39,713
Bank charges	462	7,239		7,239	7,701
Disposal	8,213				8,213
Insurance	11,812	1,781		1,781	13,593
Telephone and internet	4,916	909	1,118	2,027	6,943
Uniforms	1,522				1,522
Utilities	13,414	2,022		2,022	15,436
License and fees		410		410	410
Alarm	1,809	273		273	2,082
Office expense		13,780		13,780	13,780
Postage	3,034	457		457	3,491
Advertising		2,870		2,870	2,870
Repairs and maintenance	9,899	1,492		1,492	11,391
Storage rental	2,128	394	484	878	3,006
Training and education	890				890
Behavior and socialization	1,905				1,905
Supplies	14,686				14,686
Vehicle expense	7,919				7,919
Website	5,250		2,250	2,250	7,500
Web based subscriptions	924	4,619	3,695	8,314	9,238
Outside labor	1,150				1,150
Property taxes		271		271	271
Sales tax			105	105	105
Equipment rental		491		491	491
Total functional expenses	\$ 707,010	\$ 125,349	\$ 217,898	\$ 343,247	\$ 1,050,257

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$ 378,801
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	45,433
Loss on sale of assets	9,996
Unrealized gain on investments	(81,906)
Realized loss on investments	4,187
Donated investments	(1,126)
Changes in operating assets and liabilities:	
Accounts receivable	88,960
Prepaid expenses	(12,897)
Accounts payable	956
Accrued payroll and related taxes	8,423
Deferred event revenue	(3,300)
	<hr/>
Net cash provided by operating activities	437,527

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of investments	263,762
Purchase of investments	(480,040)
Investment income directly reinvested	(85,101)
Proceeds from disposal of property and equipment	500
Purchase of property and equipment	(42,295)
Donated property and equipment	(136,803)
	<hr/>
Net cash used in investing activities	(479,977)

NET DECREASE IN CASH AND CASH EQUIVALENTS (42,450)

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR

465,409

CASH AND CASH EQUIVALENTS, END OF YEAR

\$ 422,959

See notes to financial statements.

MICHIGAN ANIMAL RESCUE LEAGUE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 1 - Nature of Activities and Summary of Significant Accounting Policies

The Michigan Animal Rescue League (the "Organization") is a not-for-profit Michigan corporation recognized as exempt from Federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. The Organization is engaged to operate an animal shelter in the City of Pontiac and is funded largely through donations from the general public and does not receive any state or federal funding.

Accounting method - The financial statements of the Organization have been prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America. The Organization presents its financial statements in accordance with accounting principles generally accepted in the United States of America for financial statements of not-for-profit organizations.

Cash and cash equivalents and concentration of credit risk - The Organization considers as cash and cash equivalents all high liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. The Organization maintains cash balances at a financial institution and at times the balances may exceed the coverage limit of the Federal Deposit Insurance Corporation (FDIC). At December 31, 2016, the Organization had approximately \$157,000 in cash balances held at a financial institution that was in excess of FDIC insurance limits.

Investments - The Organization accounts for investments in accordance with accounting principles generally accepted in the United States of America for investments held by not-for-profit organizations. At December 31, 2016, investments are stated at fair value based on quoted market prices with unrealized gains or losses reported as changes in net assets. Realized gains and losses on investments are recorded upon sale and are determined on the average cost basis. Dividends are recorded as income when declared and interest is recorded when earned.

Net assets - Net assets of the Organization are classified as follows:

Unrestricted net assets - Net assets that are not subject to "donor imposed" restrictions.

Temporary restricted net assets - Net assets subject to "donor imposed" restrictions that may or will be met by actions of the Organization and/or the passage of time. Items that affect this net asset category are restricted contributions and grants. The Organization did not have any temporarily restricted net assets at December 31, 2016.

Permanently restricted net assets - Net assets subject to "donor imposed" restrictions that they be maintained in perpetuity.

MICHIGAN ANIMAL RESCUE LEAGUE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

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

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support.

Property and equipment - The Organization capitalizes acquisitions of property and equipment (in excess of \$500), 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.

Accounts receivable - The Organization uses the allowance method for accounting for doubtful accounts. Management reviews the collection history of its receivable balance. As a result, management does not believe that an allowance for doubtful accounts is necessary as of December 31, 2016.

Estate donation receivables consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are therefore irrevocable. Payment on these receivables is expected in the next year. The legacy and bequest receivable is deemed fully collectible as of December 31, 2016.

Federal income taxes - The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of Americas 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, 2016, 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.

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 of assets and liabilities and disclosure or contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

MICHIGAN ANIMAL RESCUE LEAGUE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

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

Functional expenses - The costs of providing program and supporting services have been reported on a functional basis in the statements of activities and changes in net assets. Expenses directly related to a specific program or supporting services are allocated accordingly. Indirect costs have been allocated between program and general and administrative based on estimates from management.

Advertising and promotions - The costs of promotions and advertising are expensed as incurred. Advertising expense for the year ended December 31, 2016 amounted to \$2,870.

Subsequent events - The financial statements and related disclosures include evaluation of events up through and including July 28, 2017 which is the date the financial statements were available to be issued.

NOTE 2 - 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, 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets Beginning of year	\$ 10,595	\$	\$ 37,829	\$ 48,424
Investment gain and Appreciation	<u>2,098</u>	_____	_____	<u>2,098</u>
Endowment net assets End of year	\$ <u>12,693</u>	\$ _____	\$ <u>37,829</u>	\$ <u>50,522</u>

MICHIGAN ANIMAL RESCUE LEAGUE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 3 - Property and Equipment

Property and equipment consist of the following:

Land	\$ 44,000
Buildings and improvements	412,285
Furniture and equipment	98,011
Kennels	316,502
Vehicles	<u>65,987</u>
Total	936,785
Accumulated depreciation	<u>(407,428)</u>
Total property and equipment	\$ <u>529,357</u>

NOTE 4 - Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

MICHIGAN ANIMAL RESCUE LEAGUE

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016**

NOTE 4 - Fair Value Measurements - (Continued)

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2016.

Equities and mutual funds: Valued at the daily closing price as reported by the fund. These investments are funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price.

	Fair Value Measurements at December 31, 2016			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 11,702	\$	\$	\$ 11,702
Mutual funds	2,502,685			2,502,685
Bond funds	<u>645</u>	<u> </u>	<u> </u>	<u>645</u>
Total Investments	\$ <u>2,515,032</u>	\$ <u> </u>	\$ <u> </u>	\$ <u>2,515,032</u>

NOTE 5 - Contributed Services and Materials

The Organization records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses.

The Organization received contributed professional services for graphic design work with a fair value of \$29,367 for the year ended December 31, 2016.

The Organization received contributed (new and used) materials such as bedding, animal related goods and cleaning supplies with an indeterminable amount during the year ended December 31, 2016. An Organization donated kennels, furniture, land improvements and supplies worth \$141,203 to the Organization during the year.

The Organization also received more than 8,859 volunteer hours per year with an estimated value of \$100,130. The value of contributed time from unpaid volunteers is not reflected in the accompanying financial statements since it does not create or enhance non-financial assets nor does this time require specialized skill.