

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

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2017

# MICHIGAN ANIMAL RESCUE LEAGUE

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## INDEPENDENT AUDITOR'S 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 (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2017, and the related statement of activities and changes in net assets, 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.

### 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 audit 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.

To the Board of Directors of  
Michigan Animal Rescue League  
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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, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*UHY LLP*

Farmington Hills, Michigan  
October 4, 2018

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2017**

**ASSETS**

|                            |                             |
|----------------------------|-----------------------------|
| Cash and cash equivalents  | \$ 477,240                  |
| Investments - unrestricted | 3,204,410                   |
| Accounts receivable:       |                             |
| Unrestricted donations     | 28,269                      |
| Other receivables          | 10,310                      |
| Prepaid expenses           | 13,294                      |
| Other assets               | <u>21,265</u>               |
| <br>Total current assets   | <br><u><u>3,754,788</u></u> |

**ENDOWMENT FUNDS, net** 52,850

**PROPERTY AND EQUIPMENT, net** 508,754

Total assets \$ 4,316,392

**LIABILITIES AND NET ASSETS**

|                       |                   |
|-----------------------|-------------------|
| Accounts payable      | \$ 17,102         |
| Accrued expenses      | 19,171            |
| Deferred revenue      | <u>29,000</u>     |
| <br>Total liabilities | <br><u>65,273</u> |

**NET ASSETS**

|                        |               |
|------------------------|---------------|
| Unrestricted           | 4,213,290     |
| Permanently restricted | <u>37,829</u> |

Total net assets 4,251,119

Total liabilities and net assets \$ 4,316,392

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
For the Year Ended December 31 , 2017

|                                      | <u>Unrestricted</u> | <u>Permanently<br/>Restricted</u> | <u>Total</u>        |
|--------------------------------------|---------------------|-----------------------------------|---------------------|
| <b>REVENUES</b>                      |                     |                                   |                     |
| Adoption                             | \$ 112,125          | \$ -                              | \$ 112,125          |
| Contributions                        | 429,478             | -                                 | 429,478             |
| Contributions-donated stock          | 6,652               | -                                 | 6,652               |
| In-kind                              | 21,278              | -                                 | 21,278              |
| Fundraising                          | 428,100             | -                                 | 428,100             |
| Estate                               | 546,076             | -                                 | 546,076             |
|                                      | <u>1,543,709</u>    | <u>-</u>                          | <u>1,543,709</u>    |
| Total revenue and support            |                     |                                   |                     |
| <b>EXPENSES</b>                      |                     |                                   |                     |
| Program services                     | 855,417             | -                                 | 855,417             |
| Management and general               | 146,301             | -                                 | 146,301             |
| Fundraising                          | 191,402             | -                                 | 191,402             |
|                                      | <u>1,193,120</u>    | <u>-</u>                          | <u>1,193,120</u>    |
| Total expenses                       |                     |                                   |                     |
| <b>OTHER INCOME (EXPENSES)</b>       |                     |                                   |                     |
| Interest income                      | 55                  | -                                 | 55                  |
| Dividend income                      | 65,816              | -                                 | 65,816              |
| Unrealized gain on investments       | 208,855             | -                                 | 208,855             |
| Realized gain on investments         | 105,526             | -                                 | 105,526             |
| Loss on sale of assets               | (2,747)             | -                                 | (2,747)             |
|                                      | <u>377,505</u>      | <u>-</u>                          | <u>377,505</u>      |
| Total other income (expenses)        |                     |                                   |                     |
| <b>CHANGE IN NET ASSETS</b>          | <u>728,094</u>      | <u>-</u>                          | <u>728,094</u>      |
| <b>NET ASSETS, Beginning of year</b> | <u>3,485,196</u>    | <u>37,829</u>                     | <u>3,523,025</u>    |
| <b>NET ASSETS, Ending of year</b>    | <u>\$ 4,213,290</u> | <u>\$ 37,829</u>                  | <u>\$ 4,251,119</u> |

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2017

|                                    | Program           | Management<br>and<br>General | Fundraising       | Total               |
|------------------------------------|-------------------|------------------------------|-------------------|---------------------|
| Salaries and Wages                 | \$ 442,947        | \$ 75,917                    | \$ 78,905         | \$ 597,769          |
| Medical Care and Supplies          | 218,032           | -                            | -                 | 218,032             |
| Fundraising Expense                | -                 | -                            | 85,400            | 85,400              |
| Payroll Taxes                      | 42,648            | 7,309                        | 7,597             | 57,554              |
| Depreciation and Amortization      | 53,121            | 2,796                        | -                 | 55,917              |
| Professional Fees and Memberships  | 545               | 19,151                       | 13,906            | 33,602              |
| Insurance                          | 13,543            | 1,970                        | -                 | 15,513              |
| Office Expense                     | -                 | 15,400                       | -                 | 15,400              |
| Utilities                          | 13,317            | 1,937                        | -                 | 15,254              |
| Shelter Supplies                   | 11,226            | -                            | -                 | 11,226              |
| Bank Charges                       | 2,253             | 9,013                        | -                 | 11,266              |
| Disposal                           | 9,997             | -                            | -                 | 9,997               |
| Web Based Subscriptions            | 894               | 4,024                        | 4,025             | 8,943               |
| Repair and Maintenance             | 7,094             | 1,032                        | -                 | 8,126               |
| Food and Supplies                  | 7,759             | -                            | -                 | 7,759               |
| Telephone and Internet             | 5,526             | 947                          | 984               | 7,457               |
| Vehicle and Transportation Expense | 7,291             | -                            | -                 | 7,291               |
| Uniforms                           | 5,614             | -                            | -                 | 5,614               |
| Postage                            | 3,875             | 564                          | -                 | 4,439               |
| Advertising                        | -                 | 4,288                        | -                 | 4,288               |
| Storage Rental                     | 2,596             | 445                          | 463               | 3,504               |
| Alarm                              | 1,902             | 277                          | -                 | 2,179               |
| Behavior and Socialization         | 1,850             | -                            | -                 | 1,850               |
| License and Fees                   | 1,223             | 405                          | -                 | 1,628               |
| Training and Education             | 900               | -                            | -                 | 900                 |
| Pest Control                       | 698               | -                            | -                 | 698                 |
| Equipment Rental                   | 16                | 512                          | -                 | 528                 |
| Community Outreach                 | 360               | -                            | -                 | 360                 |
| Property Taxes                     | -                 | 314                          | -                 | 314                 |
| Off-site Adoptions and Meetings    | 190               | -                            | 122               | 312                 |
|                                    | <u>\$ 855,417</u> | <u>\$ 146,301</u>            | <u>\$ 191,402</u> | <u>\$ 1,193,120</u> |

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2017

**OPERATING ACTIVITIES**

|                                                                                            |            |
|--------------------------------------------------------------------------------------------|------------|
| Change in net assets                                                                       | \$ 728,094 |
| Adjustments to reconcile change in net assets to net cash flows from operating activities: |            |
| Depreciation and amortization                                                              | 55,917     |
| Loss on sale of assets                                                                     | 2,747      |
| Unrealized gain on investments                                                             | (208,855)  |
| Realized gain on investments                                                               | (105,526)  |
| Donated investments                                                                        | (6,652)    |
| Changes in assets and liabilities:                                                         |            |
| Accounts receivable                                                                        | 596        |
| Prepaid expenses                                                                           | 6,424      |
| Accounts payable                                                                           | 4,147      |
| Accrued payroll and related taxes                                                          | (2,412)    |
| Deferred revenue                                                                           | 9,800      |
| Deposit on fixed assets                                                                    | (21,265)   |
|                                                                                            | <hr/>      |
| Net cash provided by operating activities                                                  | 463,015    |

**INVESTMENT ACTIVITIES**

|                                        |           |
|----------------------------------------|-----------|
| Proceeds from sale of investments      | 216,817   |
| Purchase of investments                | (458,000) |
| Investment income directly reinvested  | (129,490) |
| Purchase of property and equipment     | (38,061)  |
|                                        | <hr/>     |
| Net cash used in investment activities | (408,734) |

**NET CHANGE IN CASH** 54,281

**CASH, Beginning** 

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422,959

**CASH, Ending** 

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\$ 477,240



**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES**

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

**Organization**

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 it is funded largely through donations from the general public. The Organization does not receive any city, state or federal funding.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, prepaid expenses, payables, and other liabilities.

**Basis of Presentation**

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations, and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification* (ASC).

Financial statement presentation follows the recommendations of the ASC topic - Presentation of Financial Statements for Not-for-Profit Entities. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. No temporarily restricted net assets were held by the Organization and accordingly, these financial statements do not reflect any activities related to this class of net assets.

**Concentration of Credit Risk**

At times the Organization has balances on deposit with certain institutions that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk for cash. Cash in excess of federally insured limits approximated \$150,000 at December 31, 2017.

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**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 the reported amounts of assets and liabilities and disclosure of 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.

**Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms and are charged off when management determines the receivable will not be collected.

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 within the next year. The legacy and bequest receivable is deemed fully collectible as of December 31, 2017.

**Property and Equipment**

Property and equipment is stated at cost, or if donated, at fair market value at the date of the gift. Expenditures for maintenance and repairs are charged to operating expenses. Adjustments of the asset and the related accumulated depreciation and amortization accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the Statement of Activities. The Organization capitalizes all items with a cost of \$500 or more if purchased or estimated fair value if donated and depreciated over their estimated useful life of three to thirty-nine years. Depreciation and amortization is calculated using the straight-line method.

**Investments**

The Organization records its investments in marketable equity securities in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevailing financial market information. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Net Assets**

Unrestricted net assets are not restricted by the funding source or grantor, or the fund source requirements, or donor-imposed restrictions that have expired. Temporarily restricted net assets contain funding source or donor-imposed restrictions that permit spending as specified. The restrictions are satisfied either by the passage of time or the actions of the Organization. There were no temporary restricted net assets held by the Organization at December 31, 2017. Permanently restricted net assets are required by donors to be held in perpetuity by the Organization.

**Contributions**

The Organization reports gifts of cash and other assets as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets.

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 reported at the present value of estimated future cash flow.

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

**Income Taxes**

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2017, there were no uncertain tax positions that required accrual.

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)**

**Functional Expenses**

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Although the methods used are considered reasonable, other methods could be used that would produce different results.

**Advertising**

The costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2017 amounted to \$4,288.

**Subsequent Events**

The Organization has performed a review of events subsequent to the Statement of Financial Position through October 4, 2018, the date the financials were available to be issued.

**NOTE 2– PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

|                                                 | December 31,<br>2017     |
|-------------------------------------------------|--------------------------|
| Furniture, equipment & software                 | \$ 113,708               |
| Vehicles                                        | 65,987                   |
| Building & land improvements                    | 429,346                  |
| Land                                            | 44,000                   |
| Kennels                                         | <u>308,462</u>           |
| Total cost                                      | 961,503                  |
| Less: Accumulated depreciation and amortization | <u>(452,749)</u>         |
| Net carrying amount                             | <u><u>\$ 508,754</u></u> |

Depreciation and amortization expense totaled \$55,917 for the year ended December 31, 2017.

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 3 – INVESTMENTS**

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, 2017 are as follows:

|                                         | Year ended December 31, 2017 |                           |                  |
|-----------------------------------------|------------------------------|---------------------------|------------------|
|                                         | Unrestricted                 | Permanently<br>Restricted | Total            |
| Endowment net assets, beginning of year | \$ 12,693                    | \$ 37,829                 | \$ 50,522        |
| Reinvested investment income            | 258                          | -                         | 258              |
| Investment gain and appreciation        | 2,070                        | -                         | 2,070            |
| Endowment net assets, end of year       | <u>\$ 15,021</u>             | <u>\$ 37,829</u>          | <u>\$ 52,850</u> |

**NOTE 4 – IN-KIND CONTRIBUTIONS AND EXPENSES**

The Organization received professional veterinarian and graphic design services as in-kind contributions. The Organization records in-kind contributions and expenses related to these contributions. The total value of the in-kind contributions received meeting the criteria for being recorded in the financial statements was \$21,278 which is recorded in the accompanying statement of activities and changes in net assets.

The in-kind expenses, related to the in-kind contributions, are included in the statement of functional expenses. Total in-kind expenses are categorized as follows:

|                           | December 31,<br>2017 |
|---------------------------|----------------------|
| Professional Fees         | \$ 13,157            |
| Medical Care and Supplies | 8,121                |
|                           | <u>\$ 21,278</u>     |

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5– FAIR VALUE MEASUREMENTS**

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework 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 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* 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 Organization has the abilities 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 specific (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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Mutual funds:* Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

*Equity securities:* Valued at the closing price reported in the active market in which the individual securities are traded.

**MICHIGAN ANIMAL RESCUE LEAGUE**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2017**

**NOTE 5 – FAIR VALUE MEASUREMENTS (Continued)**

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

|              | December 31, 2017   |             |             |                     |
|--------------|---------------------|-------------|-------------|---------------------|
|              | Level 1             | Level 2     | Level 3     | Total               |
| Equities     | \$ 6,652            | \$ -        | \$ -        | \$ 6,652            |
| Mutual funds | 3,197,758           | -           | -           | 3,197,758           |
| Total        | <u>\$ 3,204,410</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 3,204,410</u> |