

Humane Society of Western Montana

AUDITED FINANCIAL STATEMENTS

December 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of Western Montana
Missoula, MT

We have audited the financial statements of Humane Society of Western Montana (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2016 and the related statement 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.

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 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 auditor's judgment, including 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 Humane Society of Western Montana as of December 31, 2016 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Rutherford, MacDonald & Olson

Rutherford, MacDonald & Olson
June 27, 2017

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Financial Position

As of December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash	\$ 611,209	\$ 100,399	\$ 246,908	\$ 958,516
Prepaid expenses	4,326			4,326
Accrued interest	4,660			4,660
Note receivable	6,309			6,309
Investments	104,220		1,454,398	1,558,618
Total current assets	<u>730,724</u>	<u>100,399</u>	<u>1,701,306</u>	<u>2,532,429</u>
Fixed Assets				
Land	243,120			243,120
Building	1,141,127			1,141,127
Equipment	168,491			168,491
	<u>1,552,738</u>			<u>1,552,738</u>
Less accumulated depreciation	<u>(638,029)</u>			<u>(638,029)</u>
Fixed assets, net	<u>914,709</u>			<u>914,709</u>
Total Assets	<u>\$ 1,645,433</u>	<u>\$ 100,399</u>	<u>\$ 1,701,306</u>	<u>\$ 3,447,138</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 17,166	\$ -	\$ -	\$ 17,166
Payroll liabilities	36,698			36,698
Total current liabilities	<u>53,864</u>			<u>53,864</u>
Net Assets				
Unrestricted	1,469,629			1,469,629
- Board designated	121,940			121,940
Temporarily restricted		100,399		100,399
Permanently restricted			1,701,306	1,701,306
Total net assets	<u>1,591,569</u>	<u>100,399</u>	<u>1,701,306</u>	<u>3,393,274</u>
Total Liabilities and Net Assets	<u>\$ 1,645,433</u>	<u>\$ 100,399</u>	<u>\$ 1,701,306</u>	<u>\$ 3,447,138</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues & Reclassifications				
Animal Adoptions	\$ 77,377			\$ 77,377
Animals in and returned	9,472			9,472
Cremations	14,863			14,863
Donations	198,389	118,620	4,000	321,009
Clinics and camps	65,459			65,459
Memberships	10,360			10,360
Special events, net of expenses	117,074			117,074
Retail sales	24,259			24,259
Miscellaneous income	390			390
Investment income	61,828			61,828
Gain on sale of investments	9,917			9,917
Unrealized gain on changes in market value	91,315			91,315
	<u>680,703</u>	<u>118,620</u>	<u>4,000</u>	<u>803,323</u>
Net assets released from restrictions	<u>73,942</u>	<u>(73,942)</u>	<u>-</u>	<u>-</u>
Total public support, revenues & reclassifications	<u>754,645</u>	<u>44,678</u>	<u>4,000</u>	<u>803,323</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities - Continued
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES				
Accounting and auditing	15,323			15,323
Advertising	27,237			27,237
Animal transfer expense	685			685
Bank and investment fees	18,635			18,635
Board expense	890			890
Continuing education	4,167			4,167
Depreciation	40,453			40,453
Dues & subscriptions	2,870			2,870
Employee benefits	27,701			27,701
Employee expenses	2,867			2,867
Insurance - general	9,901			9,901
Legislative expense	569			569
Meals and entertainment	1,906			1,906
Medical	27,827			27,827
Miscellaneous	99			99
Office Supplies	2,673			2,673
Permits and licenses	683			683
Postage and freight	1,777			1,777
Printing	9,559			9,559
Repairs and maintenance	6,841			6,841
Shelter merchandise and retail	4,374			4,374
Spay/neuter expense	14,233			14,233
Supplies	49,443			49,443
Taxes - payroll	51,868			51,868
Taxes - property	55			55
Telephone	3,585			3,585
Travel	3,446			3,446
Utilities and garbage	23,019			23,019
Wages	475,106			475,106
	<u>827,792</u>	<u>-</u>	<u>-</u>	<u>827,792</u>
Total expenses	827,792	-	-	827,792
Change in net assets	(73,147)	44,678	4,000	(24,469)
Net assets, beginning of year	1,664,716	55,721	1,697,306	3,417,743
Net assets, end of year	<u>\$1,591,569</u>	<u>\$ 100,399</u>	<u>\$1,701,306</u>	<u>\$3,393,274</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Wages	\$ 415,691	\$ 23,385	\$ 36,030	\$ 475,106
Payroll taxes	45,382	2,553	3,933	51,868
Employee benefits	24,236	1,364	2,101	27,701
Total employee costs	<u>485,309</u>	<u>27,302</u>	<u>42,064</u>	<u>554,675</u>
Accounting		15,323		15,323
Advertising	27,237			27,237
Animal transfer expense	685			685
Bank and investment fees		18,635		18,635
Board expenses		890		890
Continuing education	3,746		421	4,167
Depreciation	36,408	4,045		40,453
Dues & subscriptions	574	1,722	574	2,870
Employee expencs	2,508	141	218	2,867
Insurance	8,911	990		9,901
Legislative expense		569		569
Meals and entertainment	381	1,525		1,906
Medical	27,827			27,827
Miscellaneous	89	10		99
Office supplies	535	2,138		2,673
Permits and licenses	683			683
Postage and freight	1,244	177	356	1,777
Printing	2,199	956	6,404	9,559
Repairs and maintenance	6,157	684		6,841
Shelter merchandise and retail	4,374			4,374
Spay/neuter expense	14,233			14,233
Supplies	44,548		4,895	49,443
Taxes - property	55			55
Telephone	3,227	179	179	3,585
Travel	3,273	173		3,446
Utilities and garbage	20,717	2,302		23,019
Total Expenses	<u>\$ 694,920</u>	<u>\$ 77,761</u>	<u>\$ 55,111</u>	<u>\$ 827,792</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Cash Flows

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash Flow from Operating Activities				
Change in net assets	\$ (73,147)	\$ 44,678	\$ 4,000	\$ (24,469)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:				
Depreciation	40,453			40,453
Noncash contribution-stock	(282)			(282)
Loss (Gain) on sale of investments	(9,917)			(9,917)
Unrealized appreciation on investment	(91,315)			(91,315)
Reclassified cash	88,372		(88,372)	-
Decrease(increase) in:				
Receivables	12,015			12,015
Prepays	(2,517)			(2,517)
Accrued interest	(1,400)			(1,400)
Increase(decrease) in:				
Accounts payable	13,493			13,493
Payroll liabilities	687			687
Net cash provided(used) by operating activities	<u>(23,558)</u>	<u>44,678</u>	<u>(84,372)</u>	<u>(63,252)</u>
Cash Flow from Investing Activities				
Proceeds from sale of investments	32,211		366,238	398,449
Purchase of investments	(20,094)		(622,800)	(642,894)
Purchase of fixed assets	(22,033)		-	(22,033)
Net cash used by investing activities	<u>(9,916)</u>	<u>-</u>	<u>(256,563)</u>	<u>(266,479)</u>
Cash Flow from Financing Activities				
Payment received on notes receivable	10,454			10,454
Net cash provided by financing activities	<u>10,454</u>	<u>-</u>	<u>-</u>	<u>10,454</u>
Net increase(decrease) in cash	(23,020)	44,678	(340,935)	(319,277)
Cash - beginning of year	634,229	55,721	587,842	1,277,792
Cash - end of year	<u>\$ 611,209</u>	<u>\$ 100,399</u>	<u>\$ 246,908</u>	<u>\$ 958,516</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Notes to Financial Statements

December 31, 2016

Note 1 - Significant Accounting Policies

Organization - Humane Society of Western Montana is a nonprofit corporation which provides shelter and care for lost and unwanted animals along with promoting and protecting the well-being of animals.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation - Financial statement are presented in accordance with generally accepted accounting principles for not-for-profit organizations. Under the guidance, the Organization is required to report information regarding its financial position and activities according to three classes of net assets, as follows:

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

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognizes. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization used the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years experience and management's analysis of specific promises made.

Note 1 - Significant Accounting Policies - continued

Contributed Services - The Organization does not recognize any support, revenue or expense from service contributed by volunteers. If any support, revenue or expense were recorded it would be determined based on the difference of any amount paid to an individual and the comparable compensation which would be paid to an individual if they were to occupy these paid positions.

Fixed Assets - Fixed assets are stated at cost and are depreciated using the straight-line method of depreciation over useful lives of 5 to 50 years as follows:

Building	50 Years
Improvements	10-45 Years
Equipment	5-7 Years

Income Taxes - The Organization is a nonprofit organization and has been granted tax exempt status under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, are subject to examination by the IRS, generally three years after they were filed.

Cash Equivalents - The Organization considers demand deposits and time deposits with maturity dates of three months or less as cash equivalents.

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Investments - The Organization reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish standards for investments in certain equity securities all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at their fair value with any unrealized gains and losses reported in the statement of activities. Donated securities are recorded at market value on the day the security is received by the Organization.

Advertising Costs - Advertising costs are expensed as incurred. Advertising expenses were \$27,237 for the year ended December 31, 2016.

Note 2 - Cash and Cash Equivalents

Checking and money market funds consisted of the following at December 31, 2016:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Petty Cash	\$ 250	\$ -	\$ -	\$ 250
1st Security Checking	65,741	56,355		122,096
1st Security Savings	512,699			512,699
1st Interstate Checking	68			68
1st Security Building	10,464	4,425		14,889
1st Security Medical Assistance	-	39,619		39,619
Charles Schwab Quasi-endowment	17,720			17,720
Charles Schwab Friends for Life	4,267		246,908	251,175
	<u>\$ 611,209</u>	<u>\$ 100,399</u>	<u>\$ 246,908</u>	<u>\$ 958,516</u>

At times, funds on deposit at a single financial institution may be in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation.

Note 3 - Temporarily Restricted Net Assets

Emily Kantor Medical Fund - This fund is restricted for special medical costs for animals in the shelter that would normally not be performed in the shelter. The procedure is performed to make the animal more adoptable. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ 18,379
Donations received	17,029
Expenses incurred	(20,839)
Balance, December 31, 2016	<u>\$ 14,569</u>

Spay/Neuter Fund - This fund is restricted specifically for spay and neuter costs. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ 6,100
Donations received	11,339
Expenses incurred	(12,439)
Balance, December 31, 2016	<u>\$ 5,000</u>

Monica's Joy Fund - This fund is restricted specifically to support shelter animals over seven years old. May be used for medical, dietary or emotional needs of animals. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ -
Donations received	12,932
Expenses incurred	(1,961)
Balance, December 31, 2016	<u>\$ 10,971</u>

Note 3 - Temporarily Restricted Net Assets - continued

Alice Lund Fund - These funds are restricted for various expenses specifically requested to be covered in a grant proposal. The \$48,080 received in 2016 was for the purchase of a van in January 2017. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ 18,892
Donations received	48,080
Expenses incurred	<u>(18,892)</u>
Balance, December 31, 2016	<u>\$ 48,080</u>

Nandi Wishcamper Fund - This fund is restricted for special medical costs for animals, not in the shelter, that owners can not afford to have performed. If the medical procedure was not performed, the animal would be surrendered to a shelter or euthanized. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ 1,517
Donations received	5,090
Expenses incurred	<u>(5,027)</u>
Balance, December 31, 2016	<u>\$ 1,580</u>

Medical Assistance Fund - This fund is restricted specifically for costs associated with equipping a medical treatment room at the facility. The fund had the following activity during 2016:

Balance, January 1, 2016	\$ 4,025
Donations received	-
Expenses incurred	<u>-</u>
Balance, December 31, 2016	<u>\$ 4,025</u>

Building Fund - This fund is restricted specifically for costs associated with maintaining and updating the facility.

Balance, January 1, 2016	\$ 400
Donations received	-
Expenses incurred	<u>-</u>
Balance, December 31, 2016	<u>\$ 400</u>

Other funds - These funds are restricted for various expenses specifically requested to be covered in grant proposals. The fund had the following activity in 2016:

Balance, January 1, 2016	\$ 6,408
Donations received	24,150
Expenses incurred	<u>(14,784)</u>
Balance, December 31, 2016	<u>\$ 15,774</u>

Note 4 - Permanently Restricted Net Assets

The Humane Society of Western Montana received a bequest in 2001 to be utilized as a permanent endowment fund. Gifts must be maintained in the endowment fund. The earnings on the fund are considered unrestricted. The endowment funds are held in a SG Long account. The fund had the following activity in 2016:

	Unrestricted	Permanently Restricted	Total
Balance, January 1, 2016	\$ -	\$ 1,697,306	\$ 1,697,306
Contribution	-	4,000	4,000
Net Earnings	52,738		52,738
Realized & unrealized gains	95,120		95,120
Transferred to operations	(41,965)		(41,965)
Due to operations	(101,626)		(101,626)
Balance, December 31, 2016	<u>\$ 4,267</u>	<u>\$ 1,701,306</u>	<u>\$ 1,705,573</u>

Note 5 - Investments

Long-term investments are stated at fair market value, determined by reference to quoted market prices and consist of marketable securities, including stocks and mutual funds. Fair market values and unrealized appreciation at December 31, 2016, are summarized as follows:

	Cost	Quoted Market Values (Level 1)	Unrealized Appreciation (Depreciation)
Unrestricted - Quasi endowment			
Bonds	\$ 50,050	\$ 50,604	\$ 554
Equities	48,206	53,616	5,410
	<u>98,256</u>	<u>104,220</u>	<u>5,964</u>
Permanently Restricted			
Certificates of deposit	99,074	100,704	1,630
Bonds	594,986	596,571	1,585
Equities	689,091	757,123	68,032
	<u>1,383,151</u>	<u>1,454,398</u>	<u>71,247</u>
Total investments	\$ 1,481,407	\$ 1,558,618	\$ 77,211
Unrealized depreciation prior years			14,104
Current year increase in market value			<u>\$ 91,315</u>

Note 6 - Special Events and Fundraisers

Results during 2016 were as follows:

	Auction	Canine Classic	Total
Revenues	\$ 95,176	\$ 39,267	\$ 134,443
Expenses	(10,835)	(6,534)	(17,369)
Net	<u>\$ 84,341</u>	<u>\$ 32,733</u>	<u>\$ 117,074</u>

Note 7 - Bequest/Notes receivable

The Humane Society of Western Montana received an unrestricted bequest during the year ended December 31, 2011. The bequest included all assets of the donor less amounts specifically bequeathed to others and needed to pay any debts or expenses. The donor's assets included two contracts for deed on property. The contracts with balances of \$54,673 were transferred to the Humane Society in December, 2013. One contract was paid off in October, 2015.

Note receivable, due in monthly installments of \$911, including interest at 4%, due July, 2017. Secured by property.

\$ 6,309

Note 8 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 27, 2017, the date which the financial statements were available to be issued.