

Humane Society of Western Montana

AUDITED FINANCIAL STATEMENTS

December 31, 2017

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, 2017 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, 2017 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
July 26, 2018

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Financial Position

As of December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
ASSETS				
Current Assets				
Cash	\$ 466,029	\$ 111,590	\$ 160,721	\$ 738,340
Accounts receivable	1,395			1,395
Prepaid expenses	2,510			2,510
Accrued interest	5,527			5,527
Investments	238,836		1,540,585	1,779,421
Total current assets	<u>714,297</u>	<u>111,590</u>	<u>1,701,306</u>	<u>2,527,193</u>
Fixed Assets				
Land	243,120			243,120
Building	1,145,497			1,145,497
Equipment	207,717			207,717
	<u>1,596,334</u>			<u>1,596,334</u>
Less accumulated depreciation	<u>(686,264)</u>			<u>(686,264)</u>
Fixed assets, net	<u>910,070</u>			<u>910,070</u>
Total Assets	<u>\$ 1,624,367</u>	<u>\$ 111,590</u>	<u>\$ 1,701,306</u>	<u>\$ 3,437,263</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 15,026	\$ -	\$ -	\$ 15,026
Payroll liabilities	29,162			29,162
Total current liabilities	<u>44,188</u>			<u>44,188</u>
Net Assets				
Unrestricted	1,580,179			1,580,179
- Board designated				-
Temporarily restricted		111,590		111,590
Permanently restricted			1,701,306	1,701,306
Total net assets	<u>1,580,179</u>	<u>111,590</u>	<u>1,701,306</u>	<u>3,393,075</u>
Total Liabilities and Net Assets	<u>\$ 1,624,367</u>	<u>\$ 111,590</u>	<u>\$ 1,701,306</u>	<u>\$ 3,437,263</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues & Reclassifications				
Animal Adoptions	\$ 101,177			\$ 101,177
Animals in and returned	1,775			1,775
Cremations	57,245			57,245
Donations	323,096	\$ 93,253		416,349
Clinics and camps	75,072			75,072
Special events, net of expenses	132,405			132,405
Retail sales	14,563			14,563
Investment income	61,796			61,796
Gain on sale of investments	39,823			39,823
Unrealized gain on changes in market value	51,814			51,814
	<u>858,766</u>	<u>93,253</u>	<u>-</u>	<u>952,019</u>
Net assets released from restrictions	<u>82,062</u>	<u>(82,062)</u>	<u>-</u>	<u>-</u>
Total public support, revenues & reclassifications	<u>940,828</u>	<u>11,191</u>	<u>-</u>	<u>952,019</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities - Continued
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES				
Accounting and auditing	26,410			26,410
Advertising	15,842			15,842
Bank and investment fees	20,955			20,955
Board expense	2,545			2,545
Continuing education	4,428			4,428
Depreciation	48,235			48,235
Dues & subscriptions	4,788			4,788
Employee benefits	36,428			36,428
Employee expenses	8,076			8,076
Insurance - general	13,293			13,293
Legislative expense	2,000			2,000
Medical	58,318			58,318
Miscellaneous	7,791			7,791
Office Supplies	3,468			3,468
Postage and freight	3,166			3,166
Repairs and maintenance	19,285			19,285
Shelter merchandise and retail	7,429			7,429
Spay/neuter expense	6,497			6,497
Supplies	20,671			20,671
Taxes - payroll	55,594			55,594
Taxes - property	58			58
Telephone	3,792			3,792
Travel	3,142			3,142
Utilities and garbage	29,935			29,935
Wages	550,072			550,072
	<u>952,218</u>	<u>-</u>	<u>-</u>	<u>952,218</u>
Total expenses				
Change in net assets	(11,390)	11,191	-	(199)
Net assets, beginning of year	<u>1,591,569</u>	<u>100,399</u>	<u>1,701,306</u>	<u>3,393,274</u>
Net assets, end of year	<u>\$1,580,179</u>	<u>\$ 111,590</u>	<u>\$1,701,306</u>	<u>\$3,393,075</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Cash Flows
For the Year Ended December 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Cash Flow from Operating Activities				
Change in net assets	\$ (11,390)	\$ 11,191	\$ -	\$ (199)
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:				
Depreciation	48,235			48,235
Noncash contribution-stock	(416)			(416)
Loss (Gain) on sale of investments	(39,823)			(39,823)
Unrealized appreciation on investment	(51,814)			(51,814)
Reclassified cash	87,251		(87,251)	-
Decrease(increase) in:				
Receivables	(1,395)			(1,395)
Prepays	1,816			1,816
Accrued interest	(867)			(867)
Increase(decrease) in:				
Accounts payable	(2,140)			(2,140)
Payroll liabilities	(7,536)			(7,536)
Net cash provided(used) by operating activities	<u>21,921</u>	<u>11,191</u>	<u>(87,251)</u>	<u>(54,139)</u>
Cash Flow from Investing Activities				
Proceeds from sale of investments	25,421		480,776	506,197
Purchase of investments	(155,235)		(479,712)	(634,947)
Purchase of fixed assets	(43,596)			(43,596)
Net cash used by investing activities	<u>(173,410)</u>	<u>-</u>	<u>1,064</u>	<u>(172,346)</u>
Cash Flow from Financing Activities				
Payment received on notes receivable	6,309			6,309
Net cash provided by financing activities	<u>6,309</u>	<u>-</u>	<u>-</u>	<u>6,309</u>
Net increase(decrease) in cash	(145,180)	11,191	(86,187)	(220,176)
Cash - beginning of year	611,209	100,399	246,908	958,516
Cash - end of year	<u>\$ 466,029</u>	<u>\$ 111,590</u>	<u>\$ 160,721</u>	<u>\$ 738,340</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Functional Expenses
For the Year Ended December 31, 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Wages	\$ 473,264	\$ 38,004	\$ 38,804	\$ 550,072
Payroll taxes	47,831	3,841	3,922	55,594
Employee benefits	31,341	2,517	2,570	36,428
Total employee costs	<u>552,436</u>	<u>44,362</u>	<u>45,296</u>	<u>642,094</u>
Accounting		26,410		26,410
Advertising	15,842			15,842
Bank and investment fees		20,955		20,955
Board expenses		2,545		2,545
Continuing education	3,980		448	4,428
Depreciation	43,412	4,823		48,235
Dues & subscriptions	958	2,873	957	4,788
Employee expenses	6,948	558	570	8,076
Insurance	11,964	1,329		13,293
Legislative expense		2,000		2,000
Medical	58,318			58,318
Miscellaneous	7,012	779		7,791
Office supplies	694	2,774		3,468
Postage and freight	2,216	317	633	3,166
Repairs and maintenance	17,356	1,929		19,285
Shelter merchandise and retail	7,429			7,429
Spay/neuter expense	6,497			6,497
Supplies	18,625		2,046	20,671
Taxes - property	58			58
Telephone	3,412	190	190	3,792
Travel	2,985	157		3,142
Utilities and garbage	26,941	2,994		29,935
Total Expenses	<u>\$ 787,083</u>	<u>\$ 114,995</u>	<u>\$ 50,140</u>	<u>\$ 952,218</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Notes to Financial Statements

December 31, 2017

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 \$15,842 for the year ended December 31, 2017.

Note 2 - Cash and Cash Equivalents

Checking and money market funds consisted of the following at December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Petty Cash	\$ 150	\$ -	\$ -	\$ 150
1st Security Checking	75,575	111,590		187,165
1st Security Savings	150,557			150,557
1st Interstate Checking	300			300
PayPal	1,919			1,919
Charles Schwab Reserve	156,571			156,571
Charles Schwab Friends for Life	80,957		160,721	241,678
	<u>\$ 466,029</u>	<u>\$ 111,590</u>	<u>\$ 160,721</u>	<u>\$ 738,340</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 2017:

Balance, January 1, 2017	\$ 14,569
Donations received	5,462
Expenses incurred	(10,272)
Balance, December 31, 2017	<u>\$ 9,759</u>

Spay/Neuter Fund - This fund is restricted specifically for spay and neuter costs. The fund had the following activity in 2017:

Balance, January 1, 2017	\$ 5,000
Donations received	10,022
Expenses incurred	(9,909)
Balance, December 31, 2017	<u>\$ 5,113</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 2017:

Balance, January 1, 2017	\$ 10,971
Donations received	6,258
Expenses incurred	(6,159)
Balance, December 31, 2017	<u>\$ 11,070</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 \$40,000 received in 2017 was for the purchase of surgical room equipment. The balance of the 2016 grant is to be spent on van. The fund had the following activity in 2017:

Balance, January 1, 2017	\$ 48,080
Donations received	40,000
Expenses incurred	<u>(39,226)</u>
Balance, December 31, 2017	<u>\$ 48,854</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 2017:

Balance, January 1, 2017	\$ 1,580
Donations received	3,511
Expenses incurred	<u>(2,222)</u>
Balance, December 31, 2017	<u>\$ 2,869</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 2017:

Balance, January 1, 2017	\$ 4,025
Donations received	-
Expenses incurred	<u>-</u>
Balance, December 31, 2017	<u>\$ 4,025</u>

Building Fund - This fund is restricted specifically for costs associated with maintaining and updating the facility. Funds received in 2017 were restricted specifically for costs associated with new facility sanitation system.

Balance, January 1, 2017	\$ 400
Donations received	18,000
Expenses incurred	<u>(400)</u>
Balance, December 31, 2017	<u>\$ 18,000</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 2017:

Balance, January 1, 2017	\$ 15,774
Donations received	10,000
Expenses incurred	<u>(13,874)</u>
Balance, December 31, 2017	<u>\$ 11,900</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 Charles Schwab account. The fund had the following activity in 2017:

	Unrestricted	Permanently Restricted	Total
Balance, January 1, 2017	\$ 4,267	\$ 1,701,306	\$ 1,705,573
Contribution	415		415
Net Earnings	39,864		39,864
Realized & unrealized gains	86,835		86,835
Transferred to operations	(50,425)		(50,425)
Balance, December 31, 2017	<u>\$ 80,957</u>	<u>\$ 1,701,306</u>	<u>\$ 1,782,263</u>
Cash			
- unrestricted			\$ 80,957
- permanently restricted			160,721
Investments			<u>1,540,585</u>
			<u>\$ 1,782,263</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, 2017, are summarized as follows:

	Cost	Quoted Market Values (Level 1)	Unrealized Appreciation (Depreciation)
Unrestricted - Reserve			
Certificates of deposit	\$ 19,617	\$ 19,493	\$ (124)
Bonds	130,312	130,189	(123)
Equities	80,269	89,153	8,884
	<u>230,198</u>	<u>238,835</u>	<u>8,637</u>
Permanently Restricted			
Certificates of deposit	94,498	95,136	638
Bonds	484,746	485,479	733
Equities	837,841	959,971	122,130
	<u>1,417,085</u>	<u>1,540,586</u>	<u>123,501</u>
Total investments	\$ 1,647,283	\$ 1,779,421	\$ 132,138
Unrealized appreciation prior years			(80,324)
Current year increase in market value			<u>\$ 51,814</u>

Note 6 - Special Events and Fundraisers

Results during 2017 were as follows:

	Auction	Canine Classic	Other	Total
Revenues	\$ 99,382	\$ 45,689	\$ 7,727	\$ 152,798
Expenses	(16,816)	(3,073)	(504)	(20,393)
Net	<u>\$ 82,566</u>	<u>\$ 42,616</u>	<u>\$ 7,223</u>	<u>\$ 132,405</u>

Note 7 - Montana Community Foundation Endowment

Humane Society created the Humane Society of Western Montana Endowment Fund (the Fund) to assist those benefactors who want to give a planned gift.

The Fund was established with Montana Community Foundation (the Foundation) with funds contributed by third party donors. Under the terms of the Fund agreement, the Foundation has variance power and is legal owner of the Fund. Also under the agreement, the Humane Society is the beneficiary of the Fund and receives distributions of income from the Fund subject to the Foundation's distribution policy.

Under generally accepted accounting principles, the portion of the Fund contributed by unrelated third party donors is not a reportable transaction on the financial statements until funds are distributed by the Foundation to Humane Society. The balance held at the Foundation under this arrangement at December 31, 2017 was \$10,444.

Note 8 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through July 26, 2018, the date which the financial statements were available to be issued.