

Humane Society of Western Montana

AUDITED FINANCIAL STATEMENTS

December 31, 2014

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, 2014 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, 2014 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 12, 2015

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Financial Position

As of December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
ASSETS				
Current Assets				
Cash	\$ 667,065	\$ 77,293	\$ 495,672	\$ 1,240,030
Receivables	1,000			1,000
Prepaid expenses	501			501
Accrued interest	2,296			2,296
Note receivable - current	17,632			17,632
Investments	106,416		723,900	830,316
Total current assets	<u>794,910</u>	<u>77,293</u>	<u>1,219,572</u>	<u>2,091,775</u>
Fixed Assets				
Land	243,120			243,120
Building	1,090,302			1,090,302
Equipment	162,065			162,065
	<u>1,495,487</u>			<u>1,495,487</u>
Less accumulated depreciation	<u>(540,531)</u>			<u>(540,531)</u>
Fixed assets, net	<u>954,956</u>			<u>954,956</u>
Note receivable - long term	<u>16,763</u>			<u>16,763</u>
Total Assets	<u>\$ 1,766,629</u>	<u>\$ 77,293</u>	<u>\$ 1,219,572</u>	<u>\$ 3,063,494</u>
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable	\$ 4,896	\$ -	\$ -	\$ 4,896
Payroll liabilities	34,827			34,827
Total current liabilities	<u>39,723</u>			<u>39,723</u>
Net Assets				
Unrestricted	1,612,830			1,612,830
- Board designated	114,076			114,076
Temporarily restricted		77,293		77,293
Permanently restricted			1,219,572	1,219,572
Total net assets	<u>1,726,906</u>	<u>77,293</u>	<u>1,219,572</u>	<u>3,023,771</u>
Total Liabilities and Net Assets	<u>\$ 1,766,629</u>	<u>\$ 77,293</u>	<u>\$ 1,219,572</u>	<u>\$ 3,063,494</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues & Reclassifications				
Animal Adoptions	\$ 72,670			\$ 72,670
Animals in and returned	11,641			11,641
Cremations	12,540			12,540
Donations	520,494	89,034	1,012,500	1,622,028
Clinics and camps	63,532			63,532
Memberships	11,355			11,355
Special events, net of expenses	132,171			132,171
Retail sales	28,202			28,202
Miscellaneous income	7,187			7,187
Investment income	16,514			16,514
Gain on sale of investments	773			773
Unrealized gain on changes in market value	13,153			13,153
	<u>890,232</u>	<u>89,034</u>	<u>1,012,500</u>	<u>1,991,766</u>
Net assets released from restrictions.	<u>79,771</u>	<u>(79,771)</u>	<u>-</u>	<u>-</u>
Total public support, revenues & reclassifications	<u>970,003</u>	<u>9,263</u>	<u>1,012,500</u>	<u>1,991,766</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Activities - Continued
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
EXPENSES				
Accounting and auditing	15,014			15,014
Advertising	15,850			15,850
Bank and investment fees	8,569			8,569
Board expense	1,680			1,680
Continuing education	3,293			3,293
Depreciation	59,487			59,487
Dues & subscriptions	1,311			1,311
Employee benefits	4,469			4,469
Employee expenses	66			66
Insurance - general	8,417			8,417
Meals and entertainment	1,678			1,678
Medical	26,292			26,292
Miscellaneous	35			35
Office Supplies	3,927			3,927
Permits and licenses	1,138			1,138
Postage and freight	3,881			3,881
Printing	10,562			10,562
Professional fees	827			827
Repairs and maintenance	4,488			4,488
Shelter merchandise and retail	3,724			3,724
Spay/neuter expense	34,246			34,246
Supplies	24,966			24,966
Taxes - payroll	50,985			50,985
Taxes - property	158			158
Telephone	3,544			3,544
Travel	3,424			3,424
Utilities and garbage	24,577			24,577
Wages	414,935			414,935
	<u>731,543</u>	<u>-</u>	<u>-</u>	<u>731,543</u>
Total expenses				
Change in net assets	238,460	9,263	1,012,500	1,260,223
Net assets, beginning of year	1,488,446	68,030	207,072	1,763,548
Net assets, end of year	<u>\$ 1,726,906</u>	<u>\$ 77,293</u>	<u>\$ 1,219,572</u>	<u>\$ 3,023,771</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Functional Expenses
For the Year Ended December 31, 2014

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising Expenses</u>	<u>Total</u>
Wages	\$ 350,931	\$ 21,249	\$ 42,755	\$ 414,935
Payroll taxes	43,121	2,611	5,253	50,985
Employee benefits	3,779	229	460	4,468
Total employee costs	<u>397,831</u>	<u>24,089</u>	<u>48,468</u>	<u>470,388</u>
Accounting		15,014		15,014
Advertising	15,850			15,850
Bank and investment fees		8,569		8,569
Board expenses		1,680		1,680
Continuing education	2,960		333	3,293
Depreciation	53,538	5,949		59,487
Dues & subscriptions	262	787	262	1,311
Employee expenses	56	3	7	66
Insurance	7,575	842		8,417
Meals and entertainment	336	1,342		1,678
Medical	26,292			26,292
Miscellaneous	32	3		35
Office supplies	785	3,142		3,927
Permits and licenses	1,138			1,138
Postage and freight	2,717	388	776	3,881
Printing	2,429	1,056	7,077	10,562
Professional fees		414	414	828
Repairs and maintenance	4,488			4,488
Shelter merchandise and retail	3,724			3,724
Spay/neuter expense	34,246			34,246
Supplies	22,494		2,472	24,966
Taxes - property	159			159
Telephone	3,189	177	177	3,543
Travel	3,253	171		3,424
Utilities and garbage	22,119	2,458		24,577
Total Expenses	<u>\$ 605,473</u>	<u>\$ 66,084</u>	<u>\$ 59,986</u>	<u>\$ 731,543</u>

See accompanying notes.

HUMANE SOCIETY OF WESTERN MONTANA

Statement of Cash Flows
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Cash Flow from Operating Activities				
Change in net assets	\$ 238,460	\$ 9,263	\$ 1,012,500	\$ 1,260,223
Adjustments to reconcile increase(decrease) in net assets to net cash provided by operating activities:				
Depreciation	59,487			59,487
Noncash contribution-stock	(2,541)			(2,541)
Loss (Gain) on sale of investments	(773)			(773)
Unrealized appreciation on investment	(13,153)			(13,153)
Reclassified cash	9,290		(9,290)	-
Increase in:				
Receivables	(550)			(550)
Prepays	223			223
Accrued interest	(1,602)			(1,602)
Increase(decrease) in:				
Accounts payable	(4,485)			(4,485)
Payroll liabilities	2,510			2,510
Net cash provided by operating activities	<u>286,866</u>	<u>9,263</u>	<u>1,003,210</u>	<u>1,299,339</u>
Cash Flow from Investing Activities				
Proceeds from sale of investments	38,032		68,927	106,959
Purchase of investments	(19,440)		(601,548)	(620,988)
Purchase of fixed assets	(42,065)		-	(42,065)
Net cash used by investing activities	<u>(23,473)</u>	<u>-</u>	<u>(532,621)</u>	<u>(556,094)</u>
Cash Flow from Financing Activities				
Payment received on notes receivable	18,749			18,749
Net cash provided by financing activities	<u>18,749</u>	<u>-</u>	<u>-</u>	<u>18,749</u>
Net increase(decrease) in cash	282,142	9,263	470,589	761,994
Cash - beginning of year	384,923	68,030	25,083	478,036
Cash - end of year	<u>\$ 667,065</u>	<u>\$ 77,293</u>	<u>\$ 495,672</u>	<u>\$ 1,240,030</u>

See accompanying notes.

Notes to Financial Statements

December 31, 2014

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 \$15,850 for the year ended December 31, 2014.

Note 2 - Cash and Cash Equivalents

Checking and money market funds consisted of the following at December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Petty Cash	\$ 250	\$ -	\$ -	\$ 250
1st Security Checking	350,529	12,215	5,064	367,808
1st Security Savings	306,014			306,014
1st Interstate Checking	2,611			2,611
1st Security Building	-	11,827		11,827
1st Security Medical Assistance	-	53,251		53,251
SG Long Quasi-endowment	7,661			7,661
SG Long Friends for Life	-		490,608	490,608
	<u>\$ 667,065</u>	<u>\$ 77,293</u>	<u>\$ 495,672</u>	<u>\$ 1,240,030</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 2014:

Balance, January 1, 2014	\$ 24,818
Donations received	21,299
Expenses incurred	(21,278)
Balance, December 31, 2014	<u>\$ 24,839</u>

Spay/Neuter Fund - This fund is restricted specifically for spay and neuter costs. The fund had the following activity in 2014:

Balance, January 1, 2014	\$ 6,500
Donations received	20,793
Expenses incurred	(20,293)
Balance, December 31, 2014	<u>\$ 7,000</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 fund had the following activity in 2014:

Balance, January 1, 2014	\$ 20,993
Donations received	31,917
Expenses incurred	(20,993)
Balance, December 31, 2014	<u>\$ 31,917</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 2014:

Balance, January 1, 2014	\$ 4,279
Donations received	3,000
Expenses incurred	(5,015)
Balance, December 31, 2014	<u>\$ 2,264</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 2014:

Balance, January 1, 2014	\$ 4,025
Donations received	-
Expenses incurred	-
Balance, December 31, 2014	<u>\$ 4,025</u>

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

Balance, January 1, 2014	\$ 7,415
Donations received	-
Expenses incurred	(7,415)
Balance, December 31, 2014	<u>\$ -</u>

ASPCA funds - These funds are restricted for various expenses specifically requested to be covered in a grant proposals. The fund had the following activity in 2014:

Balance, January 1, 2014	\$ -
Donations received	12,025
Expenses incurred	(4,777)
Balance, December 31, 2014	<u>\$ 7,248</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 2014:

	Unrestricted	Permanently Restricted	Total
Balance, January 1, 2014	\$ 9,684	\$ 207,072	\$ 216,756
Contribution	2,032	1,012,500	1,014,532
Net Earnings	4,622		4,622
Realized & unrealized gains	7,062		7,062
Transferred to operations	(28,472)		(28,472)
Due from operations	5,072		5,072
Balance, December 31, 2014	<u>\$ -</u>	<u>\$ 1,219,572</u>	<u>\$ 1,219,572</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, 2014, are summarized as follows:

	Cost	Quoted Market Values (Level 1)	Unrealized Appreciation (Depreciation)
Unrestricted - Quasi endowment			
Bonds	\$ 44,087	\$ 44,796	\$ 709
Equities	58,843	61,620	2,777
	<u>102,930</u>	<u>106,416</u>	<u>3,486</u>
Permanently Restricted			
Bonds	304,653	304,000	(653)
Equities	401,956	419,900	17,944
	<u>706,609</u>	<u>723,900</u>	<u>17,291</u>
Total investments	\$ 809,539	\$ 830,316	\$ 20,777
Unrealized appreciation recognized			<u>(7,624)</u>
Current year increase in market value			<u>\$ 13,153</u>

Note 6 - Special Events and Fundraisers

Results during 2014 were as follows:

	Auction	Canine Classic	Total
Revenues	\$ 108,584	\$ 39,300	\$ 147,884
Expenses	(11,968)	(3,745)	\$ (15,713)
Net	<u>\$ 96,616</u>	<u>\$ 35,555</u>	<u>\$ 132,171</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.

Note receivable, due in monthly installments of \$800, including interest at 4%, due October, 2015. Secured by property. \$ 7,586

Note receivable, due in monthly installments of \$911, including interest at 4%, due July, 2017. Secured by property. 26,809

34,395

Less current portion (17,632)

\$ 16,763

Note 8 - Evaluation of Subsequent Events

The Organization has evaluated subsequent events through June 12, 2015, the date which the financial statements were available to be issued.