

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

MACOMB COUNTY HUMANE SOCIETY

Utica, Michigan

ANNUAL FINANCIAL REPORT

December 31, 2020

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
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INDEPENDENT AUDITOR'S REPORT

November 15, 2021

To the Board of Directors
Macomb County Humane Society
Utica, Michigan

We have audited the accompanying financial statements of Macomb County Humane Society (a nonprofit organization) which comprise the statements of financial position as of December 31, 2020 and 2019 and the related statements of activities, functional expenses, and cash flows for the years 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

BUSS & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS
CLINTON TOWNSHIP, MICHIGAN

Board of Directors
Macomb County Humane Society
November 15, 2021
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Basis for Qualified Opinion

As stated in Note I Macomb County Humane Society accounts for its investment in a wholly-owned subsidiary on the cost basis. Accounting principles generally accepted in the United States of America require that parent and subsidiary corporations present their financial statements on a consolidated basis. The effect of this departure from generally accepted accounting principles in financial position and the changes in net assets and cash flows has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Macomb County Humane Society as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Respectfully,

BUSS & COMPANY, P.C.

A handwritten signature in black ink that reads "Buss & Company, P.C." in a cursive, stylized font.

Certified Public Accountants

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MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF FINANCIAL POSITION
 December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS:</u>		
Cash and cash equivalents	\$ 307,008	\$ 546,596
Certificates of deposit	932,738	864,526
Receivables	5,219	5,219
Inventory	500	500
Prepaid expense	15,000	20,126
Investment - Merrill Lynch	6,295,010	5,868,667
Investment - Humane Society of Macomb Animal Clinic, Inc.	1,000	1,000
Property and equipment	<u>492,974</u>	<u>552,890</u>
Total Assets	<u>\$ 8,049,449</u>	<u>\$ 7,859,524</u>
<u>LIABILITIES:</u>		
Accounts payable	\$ 19,610	\$ 6,161
Accrued expenses	12,800	11,333
Note payable - Payroll Protection Program	180,300	-
Customer deposits	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 212,710</u>	<u>\$ 17,494</u>
<u>NET ASSETS:</u>		
Net assets without donor restrictions	\$ 7,836,739	\$ 7,842,030
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Total Net Assets	<u>\$ 7,836,739</u>	<u>\$ 7,842,030</u>
Total Liabilities and Net Assets	<u>\$ 8,049,449</u>	<u>\$ 7,859,524</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
STATEMENTS OF ACTIVITIES
For The Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>UNRESTRICTED NET ASSETS:</u>		
Unrestricted revenues and gains:		
Donations	\$ 633,549	\$ 842,774
Sale of animals and merchandise	63,426	83,633
Requested euthanasia and private cremations	220	2,520
Rental income	12,000	12,000
Management fees	-	29,717
Investment income	669,082	1,262,260
Casual labor	-	-
Miscellaneous	10,281	(1,939)
	<u>\$ 1,388,558</u>	<u>\$ 2,230,965</u>
Total Unrestricted Revenues and Gains		
Expenses:		
Program Services	\$ 1,170,884	\$ 1,505,656
Supporting Services:		
Management and general	208,641	298,038
Fund-raising	14,324	18,532
	<u>\$ 1,393,849</u>	<u>\$ 1,822,226</u>
Total Expenses		
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	\$ (5,291)	\$ 408,739
NET ASSETS AT BEGINNING OF YEAR	<u>7,842,030</u>	<u>7,433,291</u>
NET ASSETS AT END OF YEAR	<u>\$ 7,836,739</u>	<u>\$ 7,842,030</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF FUNCTIONAL EXPENSES
 For The Years Ended December 31, 2020 and 2019

	2020				2019			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUND- RAISING	TOTAL
Compensation and related:								
Salaries and wages	\$ 635,853	\$ 24,906	\$ 3,558	\$ 664,317	\$ 804,867	\$ 53,184	\$ 4,692	\$ 862,743
Taxes - Payroll	42,010	1,645	235	43,890	60,917	4,883	430	66,230
Retirement contribution	50,196	1,966	281	52,443	53,819	4,313	381	58,513
Insurance:								
Workers' compensation	6,602	259	37	6,898	4,526	363	32	4,921
Employee	79,642	3,119	446	83,207	71,363	5,719	505	77,587
Sub-total	\$ 814,303	\$ 31,895	\$ 4,557	\$ 850,755	\$ 995,492	\$ 68,462	\$ 6,040	\$ 1,069,994
Accounting and legal	5,623	22,490	-	28,113	4,533	18,130	-	22,663
Automobiles and trucks	342	798	-	1,140	190	444	-	634
Casual labor	1,428	-	-	1,428	575	-	-	575
Depreciation	46,394	21,596	-	67,990	46,537	22,489	-	69,026
Disposal	6,404	-	-	6,404	5,657	-	-	5,657
Feed for shelter and farm animals	19,502	-	-	19,502	32,497	-	-	32,497
Advertising and promotion	-	-	8,514	8,514	-	-	11,043	11,043
Humane education	24,973	3,812	952	29,737	27,947	4,266	1,066	33,279
Insurance - General	14,218	7,003	-	21,221	9,838	4,845	-	14,683
Licenses and dues	-	20	-	20	-	318	-	318
Maintenance and repairs:								
Building	11,045	5,440	-	16,485	36,441	17,949	-	54,390
Equipment	2,383	1,174	-	3,557	1,455	717	-	2,172
Office supplies	48,955	45,638	302	94,895	62,214	57,997	383	120,594
Operating supplies	149,191	44,488	-	193,679	252,559	75,311	-	327,870
Postage	-	9,399	-	9,399	-	7,321	-	7,321
Public relations	1,559	1,558	-	3,117	7,635	7,634	-	15,269
Refunds	938	-	-	938	795	-	-	795
Telephone	3,337	3,337	-	6,674	3,289	3,289	-	6,578
Utilities:								
Electric	6,744	3,321	-	10,065	7,016	3,455	-	10,471
Heating fuel and gas	13,545	6,671	-	20,216	10,986	5,411	-	16,397
Total Expenses	\$ 1,170,884	\$ 208,641	\$ 14,324	\$ 1,393,849	\$ 1,505,656	\$ 298,038	\$ 18,532	\$ 1,822,226

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 STATEMENTS OF CASH FLOWS
 For The Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (decrease) in net assets	\$ (5,291)	\$ 408,739
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	67,990	69,026
(Gain) loss on sale of investments	53,710	(122,210)
Unrealized (gain) loss on investments	(487,187)	(868,440)
(Increase) decrease in operating assets:		
Receivables	-	-
Prepaid expenses	5,126	(5,452)
Increase (decrease) in operating liabilities:		
Accounts payable	13,449	2,418
Accrued expenses	1,467	(3,947)
Customer deposits	-	-
Net Cash (Used By) Provided By Operating Activities	<u>\$ (350,736)</u>	<u>\$ (519,866)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Net change in investments	\$ 7,134	\$ 840,142
Net change in certificates of deposit	(68,212)	(93,303)
Payments for property and equipment	(8,074)	(19,853)
Net Cash (Used By) Provided By Investing Activities	<u>\$ (69,152)</u>	<u>\$ 726,986</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Note payable - Payroll Protection Program	\$ 180,300	\$ -
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ (239,588)	\$ 207,120
BEGINNING CASH AND CASH EQUIVALENTS	<u>546,596</u>	<u>339,476</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 307,008</u>	<u>\$ 546,596</u>

See accompanying notes to financial statements.

MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Macomb County Humane Society provides services for the welfare of homeless animals and wildlife from their one location in Utica, Michigan. Program services offered provide care and shelter for homeless and abused animals. In addition the Society provides adoption, educational and other program services. The Organization is supported primarily through donor contributions and bequests.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

Contributed Services

During the years ended December 31, 2020 and 2019, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization at their facility.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

Property and equipment, stated at cost, is depreciated over the estimated useful life of the assets using straight-line and accelerated methods. Following are the assets with their estimated useful lives:

<u>ASSETS</u>	<u>ESTIMATED USEFUL LIFE</u>
Buildings	15-32 years
Equipment	5-7 years
Land improvements	5-7 years
Vehicles	5 years

Depreciation expense was \$67,990 and \$69,026 for the years ended December 31, 2020 and 2019, respectively.

Advertising

All advertising costs are expensed as incurred since they relate to fund-raising drives for immediate financial assistance. No future benefit is derived from the events, so no costs are capitalized.

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MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2020

NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

As required by the Presentation of Financial Statements Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present a statement of cash flows. The Organization does not use fund accounting, as it is not a necessary part of external financial reporting.

Contributions

Contributions received are recorded as without or with donor restrictions, as required by the Revenue Recognition Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for net income derived from unrelated business activities (none). The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization is no longer subject to examination of its Form 990 (Federal Return of Organization Exempt From Income Tax) filed for years before 2017.

Investments

As required by the Debt and Equity Securities Topic for Not-For-Profit Entities of the FASB Accounting Standards Codification, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Inventory

Inventory consisted of supplies and is carried at lower of cost or market.

Functional Expenses

Expenses are reported in the statement of functional expenses. Costs are allocated between program services, management and general and fund raising. These allocations are provided by management based on reasonable estimates. Program services include the care and shelter of homeless and abused animals, the placement of same in qualified homes and educational efforts regarding the needs of this population.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2020

NOTE B - PROMISES TO GIVE

There were no unconditional promises to give for the years ended December 31, 2020 and 2019.

NOTE C - INVESTMENT SECURITIES - MARKETABLE SECURITIES

If management has the intent and the Organization has the ability at the time of purchase to hold securities until maturity or on a long-term basis, they are classified as investments and are carried at fair value based on quoted market prices for these or similar investments.

The following schedule summarizes the market value and cost of marketable securities for the years ended December 31, 2020 and 2019:

	<u>2020</u>		<u>2019</u>	
	<u>MARKET VALUE</u>	<u>COST BASIS</u>	<u>MARKET VALUE</u>	<u>COST BASIS</u>
Money Funds	\$ 29,288	\$ 29,288	\$ 54,023	\$ 54,023
Equities	1,322,687	1,108,400	1,285,274	1,176,270
Mutual Funds	4,335,147	3,342,470	4,037,044	3,457,915
Other Securities	607,888	800,912	492,326	665,223
Total Investment Securities	<u>\$ 6,295,010</u>	<u>\$ 5,281,070</u>	<u>\$ 5,868,667</u>	<u>\$ 5,353,431</u>

NOTE D - FAIR VALUE MEASUREMENTS

As required by the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification, the Organization 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 are described below:

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

Level 2: Inputs to the valuation methodology include:

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

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

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

The assets 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.

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2020

NOTE D - FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 31, 2020 and 2019 are as follows:

	<u>LEVEL 1</u>	<u>LEVEL 2</u>	<u>LEVEL 3</u>	<u>TOTAL</u>
<u>DECEMBER 31, 2020</u>				
Money Market	\$ 29,288	\$ -	\$ -	\$ 29,288
Equities	1,322,687	-	-	1,322,687
Mutual Funds	4,335,147	-	-	4,335,147
Other securities	607,888	-	-	607,888
	<u>\$ 6,295,010</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,295,010</u>
<u>DECEMBER 31, 2019</u>				
Money Market	\$ 54,023	\$ -	\$ -	\$ 54,023
Equities	1,285,274	-	-	1,285,274
Mutual Funds	4,037,044	-	-	4,037,044
Other securities	492,326	-	-	492,326
	<u>\$ 5,868,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,868,667</u>

NOTE E - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Land and land improvements	\$ 169,272	\$ 169,272
Building and improvements	932,169	932,169
Equipment	208,972	208,972
Automobiles	68,263	68,263
Computers	70,512	62,438
Computer software	14,850	14,850
Furniture and fixtures	10,296	10,296
	<u>\$1,474,334</u>	<u>\$1,466,260</u>
Less: Accumulated depreciation	<u>981,360</u>	<u>913,370</u>
Net Property and Equipment	<u>\$ 492,974</u>	<u>\$ 552,890</u>

(Continued)

MACOMB COUNTY HUMANE SOCIETY
 Utica, Michigan
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 December 31, 2020

NOTE F – NOTE PAYABLE – PAYROLL PROTECTION PROGRAM:

Funds payable to Flagstar Bank provided under the Federal Payroll Protection totaled \$180,300. The note was forgiven in total by the SBA in 2021

NOTE G - INVESTMENT INCOME

The following is a summary of investment income:

	<u>2020</u>	<u>2019</u>
	<u>UNRESTRICTED</u>	<u>UNRESTRICTED</u>
Interest and dividend income	\$ 235,605	\$ 271,610
Realized gain (loss) on sale of investments	(53,710)	119,164
Unrealized gain (loss) on investment valuation	487,187	871,486
Total Investment Income	<u>\$ 669,082</u>	<u>\$1,262,260</u>

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization maintains marketable securities at a brokerage firm. The total marketable securities and cash equivalents, guaranteed by the Securities Investment Protection Corporation (SIPC) up to \$500,000, were \$6,295,010 and \$5,868,667 at December 31, 2020 and 2019, respectively.

The Organization maintains cash accounts at various banks. The total cash balance guaranteed by the Federal Depository Insurance Corporation (FDIC) was \$1,042,454 and \$980,383 at December 31, 2020 and 2019, respectively.

NOTE I - RELATED PARTY

The Organization wholly owns the Humane Society of Macomb Animal Clinic, Inc. Management has elected to record its investment at cost on the statement of financial position. During 2020 and 2019 the clinic paid the Organization for the following items:

	<u>2020</u>	<u>2019</u>
Rent	\$ 12,000	\$ 12,000
Management fees	-	29,717

In 2020 certain employee wages totaling \$120,914 were paid by the Clinic which were paid out of the Shelter in prior years.

NOTE J - EMPLOYEE BENEFIT PLAN

The Organization has adopted a retirement plan covering substantially all of its employees. Independent parties have been selected to administer and act as trustees for the plan. The plan is a defined contribution plan, with all contribution amounts determined by management. Contributions to the plan were \$49,578 and \$56,103 for 2020 and 2019, respectively. Administrative expenses paid for 2020 and 2019 were \$2,865 and \$2,410, respectively.

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MACOMB COUNTY HUMANE SOCIETY
Utica, Michigan
NOTES TO FINANCIAL STATEMENTS, CONTINUED
December 31, 2020

NOTE K – LIQUIDITY DISCLOSURE

The Organization has \$7,575,000 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure consisting of cash of \$1,280,000 and short-term investments of \$6,295,000. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date. The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$232,300. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity, management of the Organization invests cash in excess of daily requirements in various short-term investments, including certificates of deposit.

NOTE L - SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 15, 2021, which is the date the financial statements were available to be issued.