

HUMANE SOCIETY OF PULASKI COUNTY

FINANCIAL STATEMENTS

For the Year Ended December 31, 2016

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COBB AND SUSKIE, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

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Michael L. Cobb

Anne Suskie Pinyan

Independent Auditors' Report

Board of Directors
Humane Society of Pulaski County
Little Rock, Arkansas

We have audited the accompanying statement of financial position of the Humane Society of Pulaski County (a non-profit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements 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.

Auditors' 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 of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 audit opinion.

Board of Directors
Humane Society of Pulaski County
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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Pulaski County as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Coll and Suskie, Ltd

Certified Public Accountants
May 8, 2017

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 1,022,934
Marketable Equity Securities	182,011
Total Current Assets	1,204,945

RESTRICTED ASSETS

Cash	30,655
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PROPERTY AND EQUIPMENT

Land	17,000
Building	1,679,507
Furniture, Fixtures and Equipment	319,245
Vehicles	194,374
	2,210,126
Less Accumulated Depreciation	1,096,948
Net Property and Equipment	1,113,178

OTHER ASSETS

	8,799
Total Assets	\$ 2,357,577

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 6,626
Total Current Liabilities	6,626

NET ASSETS

Unrestricted	2,320,296
Temporarily Restricted	30,655
Total Net Assets	2,350,951

Total Liabilities and Net Assets	\$ 2,357,577
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The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	<u>Total</u>
<u>SUPPORT AND REVENUE</u>			
Contributions and Public Support	\$ 385,453	\$ -	\$ 385,453
Program Services	117,470	-	117,470
Special Events and Activities	215,155	-	215,155
Other Income	<u>13,160</u>	<u>-</u>	<u>13,160</u>
Total Revenue	<u>731,238</u>	<u>-</u>	<u>731,238</u>
 <u>EXPENSES</u>			
Program Services	971,662	-	971,662
Management and General	111,280	-	111,280
Fundraising	<u>59,256</u>	<u>-</u>	<u>59,256</u>
Total Expenses	<u>1,142,198</u>	<u>-</u>	<u>1,142,198</u>
 Support and Revenue Over (Under) Expenses	 <u>(410,960)</u>	 <u>-</u>	 <u>(410,960)</u>
 <u>OTHER INCREASES (DECREASES)</u>			
Investment Income	1,024	77	1,101
Estate Bequests	768,999	-	768,999
Unrealized Gain (Loss) on Investments	<u>11,218</u>	<u>-</u>	<u>11,218</u>
Total Other Increases (Decreases)	<u>781,241</u>	<u>77</u>	<u>781,318</u>
 INCREASE (DECREASE) IN NET ASSETS	 370,281	 77	 370,358
 NET ASSETS AT BEGINNING OF YEAR	 <u>1,950,015</u>	 <u>30,578</u>	 <u>1,980,593</u>
 NET ASSETS AT END OF YEAR	 <u>\$ 2,320,296</u>	 <u>\$ 30,655</u>	 <u>\$ 2,350,951</u>

The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

OPERATIONS:

Increase (Decrease) in Net Assets	\$	370,358
Adjustments Needed to Reconcile to Net Cash Provided by Operations:		
Depreciation		119,964
Unrealized (Gain) Loss on Investments		(11,218)
Change in Current Assets and Liabilities:		
(Increase) Decrease in Other Assets		(3,125)
Increase (Decrease) in Accounts Payable		(7,300)
Net Change Inflows (Outflows) from Operations		468,679

INVESTING ACTIVITIES:

Inflows (Outflows):		
Net Change in Investments		(13,973)
Purchase of Property		(42,135)
Net Investing Inflows (Outflows)		(56,108)

FINANCING ACTIVITIES:

Inflows (Outflows)		-
Net Financing Inflows (Outflows)		-

Increase (Decrease) in Cash and Cash Equivalents		412,571
Beginning Cash and Cash Equivalents		641,018
Ending Cash and Cash Equivalents	\$	1,053,589

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash Paid During the Year for Interest	\$	-
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The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Bank Charges	\$ -	\$ 8,469	\$ -	\$ 8,469
Continuing Education	365	-	-	365
Depreciation	119,964	-	-	119,964
Dues and Subscriptions	-	2,070	-	2,070
Employment/Staff Expense	3,075	-	-	3,075
Fundraising Costs	-	-	59,256	59,256
Insurance	22,922	-	-	22,922
Medicine	68,688	-	-	68,688
Memberships	3,208	-	-	3,208
Memorials	-	48	-	48
Newsletter	9,160	-	-	9,160
Office Administration and Supplies	3,089	-	-	3,089
Professional Fees	3,225	83,398	-	86,623
Repair and Maintenance	35,189	-	-	35,189
Salaries	482,511	-	-	482,511
Shelter	69,182	17,295	-	86,477
Taxes	49,187	-	-	49,187
Telephone and Utilities	53,238	-	-	53,238
Vehicle Expense	3,313	-	-	3,313
Veterinarian Services	42,739	-	-	42,739
Website and Internet	2,607	-	-	2,607
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenses	<u>\$ 971,662</u>	<u>\$ 111,280</u>	<u>\$ 59,256</u>	<u>\$ 1,142,198</u>

The accompanying notes are an integral part of these financial statements.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) Organization and Funding
The Humane Society of Pulaski County (the Society) was chartered in 1946 as a non-profit association for the purpose of providing temporary refuge for homeless, injured, abandoned and abused animals and to place such animals in new homes with responsible and caring owners. The Society is economically dependent upon contributions, including estate bequests, from the general public for the majority of its support and revenue.
- (b) Basis of Presentation
The statements were prepared on the accrual basis in accordance with generally accepted accounting principles (GAAP) for nonprofit organizations included in the Financial Accounting Standards Codifications (FASB ASC), and The statements were prepared on the accrual basis and, accordingly, include items not resulting from an outlay or a receipt of cash.
- (c) Cash Equivalents
The Humane Society of Pulaski County considers all short-term investments with maturities at acquisition of three months or less to be cash equivalents. Total cash of \$1,053,589 at December 31, 2016 consists of \$1,022,934 in unrestricted cash and \$30,655 in restricted cash.
- (d) Investments
As required by GAAP for nonprofit organizations, the Humane Society of Pulaski County carries investments in marketable securities with readily determinable fair values and all investments in debt securities consisting of corporate debentures and certificates of deposit at their fair values in the statement of financial position. Unrealized gains and losses are included as other changes in net assets in the accompanying statement of activities.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- (e) Property, Equipment and Depreciation
Property and equipment purchased by the Society for use in conducting program activities is stated at cost. Property and equipment are depreciated utilizing the straight-line method over the estimated useful lives of the assets as follows:

Building	25 years
Furniture, Fixtures and Equipment	5-7 years
Vehicles	5 years

Depreciation expense for the year ended December 31, 2016 amounted to \$119,964.

- (f) Functional Expenses
The Society allocates its expenses on a functional basis among its various programs and supporting services. Expenses that can be identified with a specific program or supporting service are recorded directly according to their natural expenditure classification.

- (g) Income Taxes
The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law and is classified as other than a private foundation.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Society may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Society and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended December 31, 2016. All tax returns from 2013 forward are open and subject to examination.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Donated Services

Donated veterinarian services of \$9,338 have been reported as revenue and are included in total contributions and public support of \$385,453 in the accompanying financial statements. Volunteer services have not been reported as no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time in the Society's program services and fund raising activities.

(i) Fair Value Measurements

The Humane Society of Pulaski County determines the fair values of its financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis based on a fair value hierarchy of three levels of inputs that may be used to measure fair value, which are as follows:

Level 1 Quoted prices in active markets for identical assets. Level 1 assets include equity securities that are traded in an active exchange market, as well as certain U.S. Treasury securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments. This category generally includes U.S. government and agency mortgage-backed debt securities and corporate debt securities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Basis of Estimates

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

NOTE 2: INVESTMENTS

Investments as of December 31, 2016 consist of marketable equity securities. These investments were originally booked at cost, or, if donated, at their fair value as of the date of donation. The following summarizes the relationship between the original basis and fair value of investments at December 31, 2016:

<u>Original Basis</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
\$ 170,793	\$ 182,011	\$ 11,218

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016.

	<u>Unrestricted</u>
Investment Income	\$ 1,101
Unrealized Gains (Losses)	<u>11,218</u>
Total Investment Return	<u>\$ 12,319</u>

NOTE 3: RESTRICTED NET ASSETS

At December 31, 2016, temporarily restricted net assets of \$30,655 consisted of a bequest in the original amount of \$172,847 established in 2011. Income from the invested assets of the fund is reported as increases in temporarily restricted net assets. These restricted net assets are dedicated to expanding the Humane Education Program.

HUMANE SOCIETY OF PULASKI COUNTY
 NOTES TO FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 4: CONCENTRATIONS

Cash on deposit in demand and time deposit accounts at three financial institutions as of December 31, 2016 amounted to \$1,053,589 per books and \$1,054,106 per financial institutions. Deposits at these financial institutions were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized by U.S. Government securities as follows:

Cash on deposit	\$ <u>1,054,106</u>
Applicable FDIC/SIPC Limits	209,106
U.S. Government Securities Pledged as Collateral	<u>845,000</u>
Total Cash Deposits Insured and Collateralized	<u>1,054,106</u>
Uninsured Deposits	<u><u>\$ 0</u></u>

Management monitors these balances.

NOTE 5: FAIR VALUE DISCLOSURES

As discussed in Note 1, the Society defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For additional information, refer to Note 1, "*Summary of Significant Accounting Policies.*"

The following table reflects assets that are measured and carried at fair value on a recurring basis as of December 31, 2016.

	<u>Fair Value Measurements Using</u>			Assets At Fair Value
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
Investments:				
Marketable Equity Securities	\$ 182,011	-	-	\$ 182,011
Total	<u>\$ 182,011</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 182,011</u>

There were no transactions to or from Level 3 investments during the year ended December 31, 2016.

HUMANE SOCIETY OF PULASKI COUNTY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 6: SUBSEQUENT EVENTS

The Society did not have any recognized or nonrecognized subsequent events occur after December 31, 2016, the date of the statement of financial position. Subsequent events and transactions have been evaluated for potential recognition or disclosure through May 8, 2017, the date the financial statements were available to be issued.