

**Michigan Animal Rescue League**

**Financial Statements**

**December 31, 2014**

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## Independent Auditors' Report

To the Board of Directors of  
Michigan Animal Rescue League  
Pontiac, Michigan

### Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Animal Rescue League which comprise the statement of financial position as of December 31, 2014, 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 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 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.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Michigan Animal Rescue League as of December 31, 2014, 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.

*Yeo & Yeo, P.C.*

Ann Arbor, Michigan  
July 6, 2015

**Michigan Animal Rescue League**  
**Statement of Financial Position**  
**December 31, 2014**

**Assets**

Current assets

Cash and cash equivalents	\$	606,915
Accounts receivable		9,891
Investments - unrestricted		1,831,511
Prepaid expenses		<u>5,921</u>

Total current assets 2,454,238

Endowment funds 51,994

Property and equipment, net 437,646

**Total assets** **\$ 2,943,878**

**Liabilities and net assets**

Current liabilities

Accounts payable	\$	7,305
Accrued payroll and related taxes		<u>24,331</u>

Total current liabilities 31,636

Net assets

Unrestricted

Net investment in property and equipment		437,646
Undesignated		<u>2,436,767</u>

Total unrestricted 2,874,413

Permanently restricted 37,829

Total net assets 2,912,242

**Total liabilities and net assets** **\$ 2,943,878**

**Michigan Animal Rescue League**  
**Statement of Activities**  
**For the Year Ended December 31, 2014**

	<b>Unrestricted</b>
<b>Revenue and other support</b>	
Adoption	\$ 65,950
Contributions	329,856
Fundraising income	368,558
Estate income	<u>493,405</u>
Total revenue and other support	<u>1,257,769</u>
<b>Expenses</b>	
Program services	<u>615,055</u>
Supporting services	
Management and administrative	113,754
Development	<u>195,565</u>
Total supporting services	<u>309,319</u>
Total expenses	<u>924,374</u>
Revenue and other support in excess of expenses	<u>333,395</u>
<b>Other income (expenses)</b>	
Interest income	38,887
Dividend income	56,200
Unrealized loss on investments	(53,339)
Realized gains on investments	49,036
Miscellaneous	<u>(461)</u>
Total other income (expenses)	<u>90,323</u>
Increase in unrestricted net assets	423,718
Net assets - beginning of year	<u>2,488,524</u>
<b>Net assets - end of year</b>	<u><u>\$ 2,912,242</u></u>

See Accompanying Notes to Financial Statements

**Michigan Animal Rescue League**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2014**

	<u>Supporting Services</u>				<u>Total</u>
	<u>Program</u>	<u>Management</u>		<u>Total</u>	
		<u>Services</u>	<u>and</u>		
	<u>Administrative</u>	<u>Development</u>	<u>Services</u>	<u>Total</u>	
Salaries and wages	\$ 333,213	\$ 68,002	\$ 84,517	\$ 152,519	\$ 485,732
Payroll taxes	30,390	6,202	7,708	13,910	44,300
Outreach	9,470	-	-	-	9,470
Food and supplies	5,596	-	-	-	5,596
Hospital care and grooming	122,876	-	-	-	122,876
Pest control	698	-	-	-	698
Fundraising expense	-	-	81,919	81,919	81,919
Depreciation	20,857	4,256	5,290	9,546	30,403
Professional fees	1,690	15,213	-	15,213	16,903
Bank charges	4,150	847	1,053	1,900	6,050
Disposal	6,611	735	-	735	7,346
Insurance	10,592	2,161	2,686	4,847	15,439
Telephone and internet	4,156	848	1,054	1,902	6,058
Uniforms	2,455	2,454	-	2,454	4,909
Utilities	11,576	2,589	1,066	3,655	15,231
Licenses and fees	173	173	-	173	346
Alarm	1,025	1,025	-	1,025	2,050
Office expense	8,940	1,824	2,268	4,092	13,032
Postage	2,092	427	531	958	3,050
Advertising	2,222	453	564	1,017	3,239
Repairs and maintenance	9,220	1,025	-	1,025	10,245
Storage rental	2,707	553	687	1,240	3,947
Training and education	1,118	228	284	512	1,630
Supplies	11,246	2,295	2,853	5,148	16,394
Vehicle expense	6,910	1,410	1,753	3,163	10,073
Website	4,859	991	1,232	2,223	7,082
Property taxes	213	43	54	97	310
Sales tax	-	-	46	46	46
<b>Total functional expenses</b>	<b>\$ 615,055</b>	<b>\$ 113,754</b>	<b>\$ 195,565</b>	<b>\$ 309,319</b>	<b>\$ 924,374</b>

See Accompanying Notes to Financial Statements

**Michigan Animal Rescue League**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2014**

<b>Cash flows from operating activities</b>	
Increase in net assets	\$ 423,718
Items not requiring cash	
Depreciation	30,403
Loss on property and equipment disposal	461
Unrealized loss on investments	53,339
Donated stock	(7,414)
Changes in operating assets and liabilities	
Accounts receivable	226
Prepaid expenses	(3,572)
Accounts payable	1,867
Accrued payroll and related taxes	5,165
	504,193
Net cash provided by operating activities	
<b>Cash flows from investing activities</b>	
Proceeds from sale of investments	78,722
Purchase of investments	(248,805)
Investment income directly reinvested	(56,200)
Purchase of property and equipment	(69,531)
	(295,814)
Net cash used by investing activities	
Change in cash and cash equivalents	208,379
Cash and cash equivalents - beginning of year	398,536
<b>Cash and cash equivalents - end of year</b>	<b>\$ 606,915</b>

See Accompanying Notes to Financial Statements



**Michigan Animal Rescue League**  
**Notes to Financial Statements**  
**December 31, 2014**

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**Note 1 - Nature of Activities and Significant Accounting Policies**

**Nature of Activities**

Michigan Animal Rescue League (the Organization) is a Michigan non-profit corporation organized to operate an animal shelter in the City of Pontiac. The Organization is funded largely through donations from the general public and does not receive any state or federal funding.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. Many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance in fundraising, special projects and animal care. The Organization receives more than 6,700 volunteer hours per year with an estimated value of \$76,200. The value of contributed time from unpaid volunteers is not reflected in the accompanying financial statements since it does not create or enhance non-financial assets nor does this time require specialized skill.

**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.

**Property and Equipment**

The Organization capitalizes acquisitions of property and equipment (in excess of \$500), which includes buildings, building improvements, furniture, equipment, kennels and vehicles. Property and equipment are depreciated using the straight-line method over estimated useful lives of three to thirty-nine years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gains or losses are taken into income.

**Classification of Net Assets**

Net assets of the Organization are classified as permanently restricted, temporarily restricted or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Organization's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. At December 31, 2014, the Organization had no temporarily restricted net assets.

Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Contributions**

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence or nature of any donor restrictions.

**Advertising**

Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2014 was \$3,239.

**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. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**Michigan Animal Rescue League**  
**Notes to Financial Statements**  
**December 31, 2014**

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**Investments**

Investments are reported at their fair market values in the statement of financial position. Fair market value is determined from quoted prices as of the last day of the calendar year. Unrealized gains or 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 the purpose of the presentation of the statement 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.

**Accounts Receivable**

The Organization uses the allowance method for accounting for doubtful accounts. Management reviews the collection history of its receivable balances. Based on management's review, no allowance was deemed necessary as of December 31, 2014.

**Functional Expenses**

The cost of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Subsequent Events**

Management has evaluated subsequent events through July 6, 2015, which is the date the financial statements were available to be issued.

**Note 2 - Investments/Fair Value Measurements**

Fair value of assets measured on a recurring basis, at December 31, 2014, are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 10,414	\$ 10,414	\$ -	\$ -
Mutual funds				
Income funds	499,499	499,499	-	-
All asset funds	39,520	39,520	-	-
International funds	224,912	224,912	-	-
Equity funds	561,902	561,902	-	-
Growth funds	312,277	312,277	-	-
Bond funds	234,981	234,981	-	-
<b>Total</b>	<b>\$ 1,883,505</b>	<b>\$ 1,883,505</b>	<b>\$ -</b>	<b>\$ -</b>

**Michigan Animal Rescue League**  
**Notes to Financial Statements**  
**December 31, 2014**

The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments and endowment funds. The Organization measured fair value by using Level 1 inputs because they generally provide the most reliable evidence of fair value. In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. It was not necessary to use any Level 2 and Level 3 inputs. Unrealized gains and losses are included in the change in net assets in the statement of activities.

**Note 3 - Investments - Donor-Designated Endowments**

The Organization follows the Uniform Management of Institutional Funds Act of 1972 (UMIFA) and its own governing documents. UMIFA requires the historical dollar amount of a donor-restricted endowment fund to be preserved. In the absence of donor restrictions, the net appreciation on a donor-restricted endowment fund is spendable under UMIFA. The Organization's donors have not placed restrictions on the use of the investment income or net appreciation resulting from the donor-restricted endowment funds.

Changes in endowment net assets as of December 31, 2014 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets				
Beginning of year	\$ 14,198	\$ -	\$ 37,829	\$ 52,027
Investment income (loss) and appreciation (depreciation)	(33)	-	-	(33)
Endowment net assets				
End of year	\$ 14,165	\$ -	\$ 37,829	\$ 51,994

**Note 4 - Property and Equipment**

Property and equipment consist of the following:

Land	\$ 44,000
Buildings and improvements	378,185
Furniture and equipment	93,098
Kennels	299,868
Vehicles	43,667
	858,818
Accumulated depreciation	(421,172)
	\$ 437,646

**Michigan Animal Rescue League**  
**Notes to Financial Statements**  
**December 31, 2014**

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**Note 5 - Concentration**

The Organization's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents. The Organization places its cash and temporary cash investments with high quality institutions. At times, such balances may be in excess of the FDIC insurance limit. At December 31, 2014, the Organization's uninsured cash deposits total was \$425,998.

In the current year, significant nonrecurring contributions totaling \$454,717 were received from three estate donations.

**Note 6 - Separation Agreement**

The Organization paid \$35,000 in severance wages to a former employee in 2014.