

FRIENDS FOR ANIMALS OF METRO DETROIT  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Friends for Animals of Metro Detroit  
Dearborn, MI 48120

I have audited the accompanying financial statements of Friends for Animals of Metro Detroit (a nonprofit corporation), 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.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Friends for Animals of Metro Detroit 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.

*Deborah M. Kowalczyk, P.C.*

Deborah M. Kowalczyk, P.C.  
August 17, 2017

FRIENDS FOR ANIMALS OF METRO DETROIT  
STATEMENT OF FINANCIAL POSITION  
December 31, 2016

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 680,824
Cash and cash equivalents rainy day	201,259
Cash and cash equivalents new shelter	2,595,084
Account receivable	0
Prepaid expenses	15,012
Inventory	3,630

**TOTAL CURRENT ASSETS** 3,495,809

**PROPERTY AND EQUIPMENT** 29,047

**NEW SHELTER PRE CONSTRUCTION COSTS** 447,650

**NEW SHELTER LONG-TERM INVESTMENTS** 0

**OPERATIONS LONG-TERM INVESTMENTS** 0

**ENDOWMENT LONG-TERM INVESTMENTS** 541,853

**TOTAL ASSETS** \$ 4,514,359

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 29,123
Sales taxes	183
Deferred income	0

**TOTAL CURRENT LIABILITIES** 29,306

**NET ASSETS**

Unrestricted - undesignated	924,783
Unrestricted - board designated	600,000
Temporarily restricted	2,004,809
Permanently restricted	955,461

**TOTAL NET ASSETS** 4,485,053

**TOTAL LIABILITIES AND NET ASSETS** \$ 4,514,359

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT  
STATEMENT OF ACTIVITIES  
For the year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUES, GAINS AND OTHER SUPPORT</b>				
Fundraising				
Merchandise sales	\$ 11,260	\$	\$	\$ 11,260
Black tie	136,333			136,333
Mutt strut	115,747			115,747
Cool Cat Casino	15,257			15,257
	<u>278,597</u>	<u>0</u>	<u>0</u>	<u>278,597</u>
Less donor direct benefit costs	<u>(54,696)</u>			<u>(54,696)</u>
	223,901	0	0	223,901
Contributions				
City of Dearborn and fees	104,957			104,957
Adoption fees	132,024			132,024
New shelter		587,289		587,289
Small event contributions	84,987			84,987
Other	667,022			667,022
Spay day, fix-a-feline microchip and training programs	40,661			40,661
Grants	50,622	7,500		58,122
Interest and dividends	43,389	4,381		47,770
Investment gains and (losses)	43,387	8,697		52,084
Other revenue	5,357	12,000		17,357
Net assets released from restrictions				
Restrictions satisfied by payments	128,056	(128,056)		0
<b>TOTAL REVENUES, GAINS AND OTHER SUPPORT</b>	<u>1,524,363</u>	<u>491,811</u>	<u>0</u>	<u>2,016,174</u>
<b>EXPENSES AND LOSSES</b>				
Program services	1,138,277			1,138,277
Supporting services				
Management and general	102,250			102,250
Fundraising	268,530			268,530
<b>TOTAL EXPENSES</b>	<u>1,509,057</u>	<u>0</u>	<u>0</u>	<u>1,509,057</u>
<b>CHANGE IN NET ASSETS</b>	15,306	491,811	0	507,117
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,509,477</u>	<u>1,512,998</u>	<u>955,461</u>	<u>3,977,936</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,524,783</u>	<u>\$ 2,004,809</u>	<u>\$ 955,461</u>	<u>\$ 4,485,053</u>

See auditor's report and accompanying notes



FRIENDS FOR ANIMALS OF METRO DETROIT  
STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2016

	Program Services	Management and General	Fundraising	Total
<b>Compensation and related expenses</b>				
Compensation	\$ 510,334	\$ 33,789	\$ 76,221	\$ 620,344
Employee benefits	37,300	298	7,945	45,543
Payroll taxes	46,204	2,083	8,520	56,807
Total compensation	<u>593,838</u>	<u>36,170</u>	<u>92,686</u>	<u>722,694</u>
<b>Other expenses</b>				
Advertising	4,159	1,452	32	5,643
Accounting and payroll service		15,223		15,223
Bank and credit card fees		15,057	1,774	16,831
Copier & computer rental	6,421	1,034		7,455
Database development	9,988	1,504	1,248	12,740
Depreciation	9,029	310	920	10,259
Fundraising - mail and small events			43,165	43,165
Fundraising and manage major events		5,238	21,245	26,483
Insurance - liability	5,949	2,221		8,170
Insurance - workman's comp	5,980	390	1,341	7,711
Microchips	6,145			6,145
Newsletter	1,652	2,642	3,963	8,257
Occupancy and telephone	47,858			47,858
Office and board	14,390	5,609		19,999
Printing and postage	984	3,301	501	4,786
Spay day, fix a feline, training etc	42,471			42,471
Veterinary services	245,911			245,911
Pet supplies and care	120,991			120,991
Cat housing	4,055			4,055
Van costs	13,296			13,296
Volunteer costs and other	5,160	1,955		7,115
Total other expenses	<u>544,439</u>	<u>55,936</u>	<u>74,189</u>	<u>674,564</u>
<b>Total expenses</b>				
<b>before new shelter</b>	<u>1,138,277</u>	<u>92,106</u>	<u>166,875</u>	<u>1,397,258</u>
New Shelter utilities and charges		10,144		10,144
New Shelter fundraising			52,459	52,459
New Shelter payroll and benefits			49,196	49,196
<b>Total expenses</b>	<u>\$ 1,138,277</u>	<u>\$ 102,250</u>	<u>\$ 268,530</u>	<u>\$ 1,509,057</u>

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT  
STATEMENT OF CASH FLOWS  
For the year ended December 31, 2016

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (decrease) in net assets	\$ 507,117
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Van included in contributions	(5,750)
Stock donation included in contributions	(231,580)
(Gain) loss on sale of stock	(16,596)
Unrealized (gains) losses	(35,488)
Depreciation	10,259
(Increase) decrease in operating assets:	
Accounts receivable	1,671
Prepaid expenses	(9,159)
Inventory	13
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	2,756
Sales taxes	(337)
Deferred income	(1,000)

**NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** 221,906

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sales of investments	881,942
Purchase investments	(49,335)
Purchase computer equipment	(6,116)
Project manager for new shelter	(11,882)
Purchase new shelter designs	(4,375)

**NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES** 810,234

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** 1,032,140

**BEGINNING CASH AND CASH EQUIVALENTS** 2,445,027

**ENDING CASH AND CASH EQUIVALENTS** \$ 3,477,167

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE A - ACCOUNTING POLICIES**

Nature of Activities

Friends for Animals of Metro Detroit are dedicated to the rescue and protection of animals in the community, while inspiring healthy relationships between people and their companion animals. As animal advocates, we are committed to saving all adoptable animals, providing high quality animal care and adoption services, delivering innovative outreach programs and activities that promote education, promoting animal welfare legislation and embracing environmental responsibility with earth-friendly practices and facilities.

Basis of Accounting

The financial statements of Friends for Animals for Metro Detroit (a nonprofit corporation) have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Temporarily restricted net assets consisted of the following at the beginning and ending of the year:

	<u>Beginning</u>	<u>Ending</u>
Planned adoption center	\$ 1,512,998	\$ 1,997,309
Grant	0	7,500

Permanently restricted assets consists of the endowment received during 2009 in the amount of \$555,461 and building with land during 2015 in the amount of \$400,000.

Advertising

The Organization used advertising to promote its programs among the audience it serves. The costs of advertising are expensed the first time advertising takes place. Total advertising costs for the year ended December 31, 2016 were \$5,643.

Bad Debts

Management reviews the outstanding accounts receivable at year end, as well as previous bad debt write offs and establishes an allowance for uncollectible amounts. The allowance for doubtful accounts as of December 31, 2016 was \$0.



FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE A - ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted and temporarily restricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Donated Assets

Donated marketable securities are recorded as contributions at their estimated fair values at the date of donation.

Donated Facilities

For the year ended December 31, 2016 the organization included as contributions \$46,000 for use of shelter facilities provided for by the City of Dearborn and \$10,000 for use of dog training facilities.

Donated Services

For the year ended December 31, 2016 the organization included as contributions \$1,000 for accounting service and \$123,187 for veterinarian services. In addition, numerous individuals volunteer their time and perform a variety of tasks that assist the organization. The Organization received 18,405 volunteer hours for fundraising activities, administrative support and various committee assignments for the year ended December 31, 2016. In addition, many volunteers foster animals in their home and donated 6,590 days for the care of those animals. No amounts have been reflected in the financial statements for the volunteer hours or foster days.

Donated Supplies

For the year ended December 31, 2016 the organization included as contributions \$59,956 for a used van, pet, event and office supplies donated by businesses and individuals.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.



FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE A - ACCOUNTING POLICIES (CONTINUED)**

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charges to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and, accordingly, no provision has been made for such taxes. 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).

Inventories

Inventories as of December 31, 2016 consisted of toys, logo clothing and other animal related items for sale. Inventories are valued at the lower of cost or market determined by the average cost method.

Investments

Investments in marketable equity securities with readily determinable fair values are stated at fair values. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized. Short-term investments consist of debt and equity securities with original maturities of twelve months or less. Long-term investments consist of debt and equity securities with original maturities of greater than twelve months.

Operating Lease

The organization is leasing a copy machine under a 40 month noncancelable lease starting in January 2015 expiring in April 2018. The minimum future lease payments for the years ended December 31, 2017 and 2018 are \$2,004 and \$668 respectively. For the year ended December 31, 2016 rental expense including usage was \$2,891.

Property and Equipment

Acquisitions of property and equipment and expenditures for repairs and betterment's that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight line method. Depreciation expense for the year ended December 31, 2016 was \$10,259.

FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE A - ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment (continued)

As of December 31, 2016 property and equipment consisted of the following:

Furniture and equipment	\$47,274
Vans	45,158
Computer equipment	15,833
Software	<u>4,940</u>
	113,205
Less accumulated depreciation	<u>84,158</u>
Total property and equipment	<u>\$29,047</u>

Restricted and Unrestricted Revenue

Donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of restrictions. 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. Contributions that are restricted by the donor are reported as increases in unrestricted net assets, if the restrictions expire in the reporting period in which the revenue is recognized.

**NOTE B - DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES**

The following program and supporting services are included in the accompanying financial statements:

Program

Includes providing loving care for lost or unwanted animals, adoptions of great pets to quality homes, reuniting lost pets with their owners, educational outreach to promote humane care, spay and neuter programs, microchip programs, dog training and assistance to pet owners.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board of Directors; and manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the financial resources necessary to encourage and secure private financial support from individuals, foundations and corporations.



FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE C - ACCOUNTS RECEIVABLE**

Accounts receivable as of December 31, 2016 was \$1,671.

**NOTE D - PLANNED ADOPTION AND EDUCATION CENTER**

The Organization is currently planning for a new adoption and education center located in the City of Dearborn. Net proceeds from specific events are being restricted for current and future costs for this project. Costs are being allocated as preacquisition, acquisition, development and construction costs. For the year ended December 31, 2014 \$10,934 of costs were incurred as pre acquisition costs for plans. For the year ended December 31, 2015 \$20,463 of costs were incurred as pre acquisition costs for plans and land testing. For the year ended December 31, 2016 \$16,257 of costs were incurred as pre acquisition costs for plans and project manager.

**NOTE E - CITY OF DEARBORN**

The Organization receives a monthly subsidy from the City of Dearborn. The Organization received \$85,000 from the City of Dearborn for the year ended December 31, 2016. The subsidy is renewed annually for the period July 1 to June 30.

**NOTE F – COMPENSATED ABSENCES**

Employees of the Organization are entitled to paid vacation and paid sick days, depending on job classification, length of service, and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the costs of compensated absences when actually paid to employees.

**NOTE G – CONCENTRATIONS**

The organization maintains its cash accounts in bank deposit accounts, which exceed federally insured limits.

**NOTE H – ENDOWMENT**

The endowment consists of a donor established endowment fund received in 2009. The Board of Directors intends that the principal remain intact and all earnings would be paid out to support the needs of the Organization. There were no contributions to the Endowment Funds during 2016. The endowment's investment return was \$31,697 in investment income, \$1,972 in investment expenses, \$24,032 of realized and unrealized gains for the year ended December 31, 2016. Transfers of earnings of \$30,861 were used



FRIENDS FOR ANIMALS OF METRO DETROIT  
NOTES TO FINANCIAL STATEMENTS  
For the year ended December 31, 2016

**NOTE H – ENDOWMENT (CONTINUED)**

for expenditures. The total investment return was appropriated for expenditure.

The endowment fund is invested in debt and equity mutual funds with readily determined fair values.

The Board of Directors has interpreted the Michigan Uniform Management of Institutional Funds Act (Michigan UMIFA, "the Act") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of donor-restricted endowment that is not classified as permanently restricted net assets, is classified as temporarily restricted net assets until the expenditures are made.

The Board of Directors has determined the primary investment objective is to preserve capital and obtain reasonable income/yields within prudent levels of risk. In order to efficiently diversify risks, all investments should be made through reputable mutual funds with no load or C-share pricing and rated no lower than 4 stars by Morningstar Services. Performance will be assessed by comparison to S&P 500 returns for equity funds and by comparison to BarCap US Agg Bond TR USD for income funds.

The Board of Directors has determined investments in mutual funds should be diversified to mitigate risk and balance returns. Income funds should be targeted to comprise 50% of the endowment value and equity funds comprise 50% of the endowment value. No more than 20% of the endowment value should be invested in any one fund, and investments in aggressive/risky funds is prohibited.

**NOTE I – FUND-RAISING COSTS**

Total fund-raising costs for the year ended December 31, 2016 was \$323,226. This includes direct benefits to donors, directly identifiable expenses and joint cost allocations.

**NOTE J – SUBSEQUENT EVENTS**

Subsequent events were evaluated through August 17, 2017, which is the date the financial statements were available to be issued.