

FRIENDS FOR ANIMALS OF METRO DETROIT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017



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DEBORAH M. KOWALCZYK

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, 2017, 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, 2017, 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.
November 13, 2018

FRIENDS FOR ANIMALS OF METRO DETROIT
STATEMENT OF FINANCIAL POSITION
December 31, 2017

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 937,216
Cash and cash equivalents rainy day	201,465
Cash and cash equivalents new shelter	2,795,983
Receivables	2,290
Prepaid expenses	8,022
Inventory	<u>2,262</u>

TOTAL CURRENT ASSETS 3,947,238

PROPERTY AND EQUIPMENT 17,667

NEW SHELTER PRE CONSTRUCTION COSTS 680,919

NEW SHELTER CONSTRUCTION COSTS 823,049

ENDOWMENT LONG-TERM INVESTMENTS 597,169

TOTAL ASSETS \$ 6,066,042

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable and accrued expenses	\$ 151,316
Sales taxes	178
Deferred income	30,000
Retention payable	<u>74,955</u>

TOTAL CURRENT LIABILITIES 256,449

NET ASSETS

Unrestricted - undesignated	2,226,948
Unrestricted - board designated	850,000
Temporarily restricted	1,777,184
Permanently restricted	<u>955,461</u>

TOTAL NET ASSETS 5,809,593

TOTAL LIABILITIES AND NET ASSETS \$ 6,066,042

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT
STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Fundraising				
Merchandise sales	\$ 9,525	\$	\$	\$ 9,525
Black tie	176,983			176,983
Mutt strut	87,944			87,944
Golf and other	28,837			28,837
	<u>303,289</u>	<u>0</u>	<u>0</u>	<u>303,289</u>
Less donor direct benefit costs	(66,482)			(66,482)
	<u>236,807</u>	<u>0</u>	<u>0</u>	<u>236,807</u>
Contributions				
City of Dearborn and fees	102,259			102,259
Adoption fees	147,635			147,635
New shelter		945,869		945,869
Small event contributions	68,318			68,318
Other	1,147,508			1,147,508
Spay day, fix-a-feline microchip and training programs	20,732			20,732
Grants	38,940	1,500		40,440
Interest and dividends	40,064	397		40,461
Investment gains and (losses)	44,876	(120)		44,756
Other revenue	6,543	15,000		21,543
Net assets released from restrictions				
Restrictions satisfied by payments	1,190,271	(1,190,271)		0
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>3,043,953</u>	<u>(227,625)</u>	<u>0</u>	<u>2,816,328</u>
EXPENSES AND LOSSES				
Program services	1,119,796			1,119,796
Supporting services				
Management and general	112,260			112,260
Fundraising	259,732			259,732
TOTAL EXPENSES	<u>1,491,788</u>	<u>0</u>	<u>0</u>	<u>1,491,788</u>
CHANGE IN NET ASSETS	1,552,165	(227,625)	0	1,324,540
NET ASSETS AT BEGINNING OF YEAR				
	<u>1,524,783</u>	<u>2,004,809</u>	<u>955,461</u>	<u>4,485,053</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,076,948</u>	<u>\$ 1,777,184</u>	<u>\$ 955,461</u>	<u>\$ 5,809,593</u>

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017

	Program Services	Management and General	Fundraising	Total
Compensation and related expenses				
Compensation	\$ 540,990	\$ 42,945	\$ 66,995	\$ 650,930
Employee benefits	31,263	1,407	4,891	37,561
Payroll taxes	49,751	4,012	5,397	59,160
Total compensation	<u>622,004</u>	<u>48,364</u>	<u>77,283</u>	<u>747,651</u>
Other expenses				
Advertising	845	580	150	1,575
Accounting and payroll service		17,773		17,773
Bank and credit card fees		12,362	700	13,062
Computers and copiers	12,322	1,368		13,690
Database development	9,349	1,169	1,169	11,687
Depreciation	10,633	537	210	11,380
Fundraising - mail and small events			38,645	38,645
Fundraising and manage major events		1,645	22,078	23,723
Insurance - liability	6,572	2,515		9,087
Insurance - workman's comp	8,955	708	1,461	11,124
Microchips	7,550			7,550
Newsletter	4,332	1,666	667	6,665
Occupancy and telephone	49,402			49,402
Office and board	12,998	8,276	843	22,117
Printing and postage		2,433		2,433
Spay day, fix a feline, training etc	17,516			17,516
Veterinary services	206,042			206,042
Pet supplies and care	133,706			133,706
Cat housing	4,449			4,449
Van costs	9,935			9,935
Volunteer costs and other	3,186	2,938		6,124
Total other expenses	<u>497,792</u>	<u>53,970</u>	<u>65,923</u>	<u>617,685</u>
Total expenses before new shelter	<u>1,119,796</u>	<u>102,334</u>	<u>143,206</u>	<u>1,365,336</u>
New Shelter utilities and other		9,926		9,926
New Shelter fundraising			91,957	91,957
New Shelter payroll and benefits			24,569	24,569
Total expenses	<u>\$ 1,119,796</u>	<u>\$ 112,260</u>	<u>\$ 259,732</u>	<u>\$ 1,491,788</u>

See auditor's report and accompanying notes

FRIENDS FOR ANIMALS OF METRO DETROIT
STATEMENT OF CASH FLOWS
For the year ended December 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ 1,324,540
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Stock donation included in contributions	(141,748)
(Gain) loss on sale of stock	31
Unrealized (gains) losses	(44,787)
Depreciation	11,380
(Increase) decrease in operating assets:	
Receivable	(2,290)
Prepaid expenses	6,990
Inventory	1,368
Increase (decrease) in operating liabilities:	
Accounts payable and accrued expenses	122,193
Sales taxes	(5)
Retention payable	74,955
Deferred income	30,000

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES 1,382,627

CASH FLOWS FROM INVESTING ACTIVITIES

Sales of investments	131,188
Construction costs on building	(823,049)
Project manager for new shelter	(45,062)
Purchase new shelter designs	(188,207)

NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES (925,130)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 457,497

BEGINNING CASH AND CASH EQUIVALENTS 3,477,167

ENDING CASH AND CASH EQUIVALENTS \$ 3,934,664

FRIENDS FOR ANIMALS OF METRO DETROIT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017

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	\$ 1,997,309	\$ 1,775,684
Grant	7,500	1,500

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, 2017 were \$1,575.

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, 2017 was \$0.

FRIENDS FOR ANIMALS OF METRO DETROIT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017

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, 2017 the organization included as contributions \$46,000 for use of shelter facilities provided for by the City of Dearborn.

Donated Services

For the year ended December 31, 2017 the organization included as contributions \$1,000 for accounting service \$6,750 for consulting services and \$76,741 for veterinarian services. In addition, numerous individuals volunteer their time and perform a variety of tasks that assist the organization. The Organization received 15,043 volunteer hours for fundraising activities, administrative support and various committee assignments for the year ended December 31, 2017. In addition, many volunteers foster animals in their home and donated 13,941 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, 2017 the organization included as contributions \$44,627 for 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, 2017

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, 2017 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 year ended December 31, 2018 are \$668. For the year ended December 31, 2017 rental expense including usage was \$2,777.

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, 2017 was \$11,380.

FRIENDS FOR ANIMALS OF METRO DETROIT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017

NOTE A - ACCOUNTING POLICIES (CONTINUED)

Property and Equipment (continued)

As of December 31, 2017, 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>95,538</u>
Total property and equipment	<u>\$17,667</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, 2017

NOTE C - RECEIVABLES

Receivables as of December 31, 2017 were \$2,290.

NOTE D - PLANNED ADOPTION AND EDUCATION CENTER

The Organization is currently building 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. For the year ended December 31, 2017 \$233,269 of costs were incurred as pre-acquisition costs for plans and project manager. For the year ended December 31, 2017 \$823,049 of costs were incurred as construction costs. Additional construction costs were incurred during the year ended December 31, 2018 to complete the building.

NOTE E - CITY OF DEARBORN

The Organization receives a monthly city fee from the City of Dearborn. The Organization received \$85,000 from the City of Dearborn for the year ended December 31, 2017. The contract 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.

FRIENDS FOR ANIMALS OF METRO DETROIT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017

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 2017. The endowment's investment return was \$32,820 in investment income, \$2,138 in investment expenses, \$44,751 of realized and unrealized gains for the year ended December 31, 2017. Transfers of earnings of \$20,117 were used 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.

FRIENDS FOR ANIMALS OF METRO DETROIT
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2017

NOTE I – FUND-RAISING COSTS

Total fund-raising costs for the year ended December 31, 2017 was \$326,214. This includes direct benefits to donors, directly identifiable expenses and joint cost allocations.

NOTE J – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 13, 2018, which is the date the financial statements were available to be issued.