

HUMANE SOCIETY OF MONROE COUNTY, IL  
FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2016 AND 2015

HUMANE SOCIETY OF MONROE COUNTY, IL  
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ALTON EDWARDSVILLE BELLEVILLE HIGHLAND  
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## INDEPENDENT AUDITOR'S REPORT

August 28, 2017

To the Board of Trustees  
Humane Society of Monroe County, IL  
Waterloo, Illinois

We have audited the accompanying financial statements of the Humane Society of Monroe County, IL (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2016 and 2015 and the related statement of support revenues, expenses and change in net assets - modified cash basis 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 the modified cash basis of accounting as described in note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of the Humane Society of Monroe County, Illinois as of December 31, 2016 and 2015 and its statement of support revenues, expenses and change in net assets for the years then ended in accordance with the modified cash basis of accounting as described in note 1.

**Basis of Accounting**

We draw attention to note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

*Schott, Boile*

Columbia, Illinois

**FINANCIAL STATEMENTS**

HUMANF SOCIETY OF MONROE COUNTY, IL  
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS

## ASSETS

|                             | <u>DECEMBER 31,</u> |                     |
|-----------------------------|---------------------|---------------------|
|                             | <u>2016</u>         | <u>2015</u>         |
| Cash and Cash Equivalents   | \$ 51,381           | \$ 22,482           |
| Cash - Brokerage Statements | 12,774              | 39,083              |
| Investments                 | 23,501              | 67,286              |
| Property and Equipment      | 1,925,602           | 994,679             |
| Other Assets                | <u>1,843</u>        | <u>-</u>            |
| Total Assets                | <u>\$ 2,015,101</u> | <u>\$ 1,123,530</u> |

## LIABILITIES AND NET ASSETS

## CURRENT LIABILITIES:

|                                   |                |              |
|-----------------------------------|----------------|--------------|
| Other Liabilities                 | \$ 8,458       | \$ 1,707     |
| Withheld Payroll Taxes            | 3,162          | 2,710        |
| Construction Loan Payable         | -              | 2,119        |
| Current Portion of Long-Term Debt | 538,181        | -            |
| Total Current Liabilities         | <u>549,801</u> | <u>6,536</u> |

## NON-CURRENT LIABILITIES:

|                               |                |              |
|-------------------------------|----------------|--------------|
| Long Term Debt                | <u>53,383</u>  | <u>-</u>     |
| Total Non-Current Liabilities | <u>53,383</u>  | <u>-</u>     |
| Total Liabilities             | <u>603,184</u> | <u>6,536</u> |

## NET ASSETS:

|                                  |                     |                     |
|----------------------------------|---------------------|---------------------|
| Unrestricted                     |                     |                     |
| Undesignated                     | 1,375,642           | 1,013,945           |
| Board Designated                 | <u>36,275</u>       | <u>103,049</u>      |
| Total Net Assets                 | <u>1,411,917</u>    | <u>1,116,994</u>    |
| Total Liabilities and Net Assets | <u>\$ 2,015,101</u> | <u>\$ 1,123,530</u> |

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

HUMANANE SOCIETY OF MONROE COUNTY, II  
STATEMENT OF SUPPORT REVENUES, EXPENSES, AND CHANGE IN NET ASSETS  
MODIFIED CASH BASIS

|                                        | FOR THE YEARS ENDED |                           |                     |                     |                           |                     |
|----------------------------------------|---------------------|---------------------------|---------------------|---------------------|---------------------------|---------------------|
|                                        | 2016                |                           | 2015                |                     |                           |                     |
|                                        | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | TOTAL               | UNRESTRICTED        | TEMPORARILY<br>RESTRICTED | TOTAL               |
| <b>REVENUES AND OTHER SUPPORT:</b>     |                     |                           |                     |                     |                           |                     |
| Contributions                          | \$ 409,098          | -                         | \$ 409,098          | \$ 600,435          | -                         | \$ 600,435          |
| Adoption Fees                          | 80,074              | -                         | 80,074              | 54,258              | -                         | 54,258              |
| Special Events                         |                     |                           |                     |                     |                           |                     |
| Revenue                                | 230,130             | -                         | 230,130             | 150,759             | -                         | 150,759             |
| Expenses                               | (81,506)            | -                         | (81,506)            | (51,247)            | -                         | (51,247)            |
| Investment Income                      | 6,885               | -                         | 6,885               | (805)               | -                         | (805)               |
| Other Revenue                          | 8,448               | -                         | 8,448               | -                   | -                         | -                   |
| Net Assets Released from Restrictions: |                     |                           |                     |                     |                           |                     |
| Satisfaction of Program Restrictions   | -                   | -                         | -                   | 50,000              | (50,000)                  | -                   |
| Total Revenues and Other Support       | <u>653,129</u>      | <u>-</u>                  | <u>653,129</u>      | <u>803,400</u>      | <u>(50,000)</u>           | <u>753,400</u>      |
| <b>EXPENSES:</b>                       |                     |                           |                     |                     |                           |                     |
| Program Services                       | 279,786             | -                         | 279,786             | 187,423             | -                         | 187,423             |
| Supporting Services                    |                     |                           |                     |                     |                           |                     |
| General and Administrative             | 63,520              | -                         | 63,520              | 38,094              | -                         | 38,094              |
| Fundraising                            | 14,900              | -                         | 14,900              | 14,900              | -                         | 14,900              |
| Total Expenses                         | <u>358,206</u>      | <u>-</u>                  | <u>358,206</u>      | <u>240,417</u>      | <u>-</u>                  | <u>240,417</u>      |
| Change in Net Assets                   | 294,923             | -                         | 294,923             | 562,983             | (50,000)                  | 512,983             |
| Net Assets, Beginning of Year          | <u>1,116,994</u>    | <u>-</u>                  | <u>1,116,994</u>    | <u>554,011</u>      | <u>50,000</u>             | <u>604,011</u>      |
| Net Asset, End of Year                 | <u>\$ 1,411,917</u> | <u>\$ -</u>               | <u>\$ 1,411,917</u> | <u>\$ 1,116,994</u> | <u>\$ -</u>               | <u>\$ 1,116,994</u> |

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

HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization**

Humane Society of Monroe County, IL (the Society) is an Illinois not-for-profit corporation committed to the humane treatment of animals through adoption, prevention of cruelty, and promotion of responsible pet ownership. The Society is funded primarily through donations as well as program fees.

**Basis of Accounting**

The Society's policy is to prepare its financial statements on the modified cash basis. Accordingly, the accompanying financial statements are not intended to be presented on a basis in conformity with generally accepted accounting principles.

**Financial Statement Presentation**

The Society reports information regarding its net assets and revenues and expenses according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Unrestricted net assets:** Represents all resources over which the Governing Board has discretionary control to use in carrying on the Society's operations in accordance with the guidelines established for the Society. The Board may designate portions of the current unrestricted net assets for specific purposes, projects or investments.

**Temporarily restricted net assets:** Consists of all resources currently for use, limited by donor imposed restrictions that expire by the passage of time or can be fulfilled or otherwise removed by actions of the Society.

**Permanently restricted net assets:** Represents the principal amount of gifts and bequests accepted with the donor-stipulation that the principal be maintained intact in perpetuity and that only the investment gains and income earned may be expended for general purposes or according to the donor imposed restrictions.

**Use of Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

The Society maintains a checking account at a financial institution located in Monroe County, Illinois. Account balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. In the normal course of business, account balances at any given time may exceed insured limits.



HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD)

However, the Society has not experienced any losses in such accounts and does not believe it is exposed to significant risk in cash and cash equipment.

**Equipment**

Equipment is recorded at cost or, if donated, at the approximate fair market value at the date of donation. Assets with an initial cost greater than \$500 and an estimated useful life in excess of one year are capitalized. Depreciation is provided over the estimated useful life of the assets using the straight-line method.

**Tax Status**

The Society is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The Society files Form 990, Return of Organization Exempt from Income Tax with the Internal Revenue Service and the Illinois Attorney General's office. With few exceptions, as of December 31, 2016, the Society is no longer subject to U.S. federal income tax examinations for years ending prior to December 31, 2011. The Society has adopted the provisions of FAIR ASC 740-10 Accounting for Uncertainty in Income Taxes. Management of the Society believes it has no material uncertain tax positions and, accordingly it will not recognize any liability for unrecognized tax benefits.

NOTE 2. DONATED MATERIALS AND SERVICES

Donated materials and equipment are reflected as contributions in these financial statements at their estimated values at the date of receipt. No amounts have been reflected in the financial statements for donated services since they do not meet the definition of recordable services under current accounting principles. However, a substantial number of volunteers have donated significant amounts of time in the Society's program services and in its fundraising campaigns.

NOTE 3. INVESTMENTS

Investments are carried at market, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses and other changes in net assets - modified cash basis.

Investments consist of the following:

|                                               | 2016      |           |                            |
|-----------------------------------------------|-----------|-----------|----------------------------|
|                                               | MARKET    | COST      | UNREALIZED<br>APPRECIATION |
| Exchange Traded Funds and Equity Mutual Funds | \$ 23,501 | \$ 21,363 | \$ 2,136                   |

HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 3. INVESTMENTS (CONT'D)

|                                               | 2015      |           |                                              |
|-----------------------------------------------|-----------|-----------|----------------------------------------------|
|                                               | MARKET    | COST      | UNREALIZED<br>APPRECIATION<br>(DEPRECIATION) |
| Exchange Traded Funds and Equity Mutual Funds | \$ 67,286 | \$ 72,451 | \$ (5,165)                                   |

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the risks associated with investment securities, it is at least reasonably possible that changes in risks could materially affect the accompanying financial statements.

Investment income (loss) consists of the following:

|                                        | 2016     | 2015     |
|----------------------------------------|----------|----------|
| Interest and Dividends                 | \$ 3,624 | \$ 3,048 |
| Unrealized Appreciation (Depreciation) | 7,301    | (313)    |
| Fees and Charges                       | (439)    | (1,461)  |
| Realized Gains (Losses)                | (3,601)  | (2,079)  |
|                                        | \$ 6,885 | \$ (805) |

NOTE 4. FAIR VALUE MEASUREMENTS

Following is a description of the valuation methodologies used for assets measured at fair value.

*Money market accounts:* Fair value equals cost.

*Certificates of deposit:* Fair value equals cost.

*Exchange traded funds and equity mutual funds:* Valued at the closing price reported on the active market on which the individual funds are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 4. FAIR VALUE MEASUREMENTS (CONT'D)

FASB ASC 820-10 (formerly SFAS No. 157 Fair Value Measurements) establishes a framework for measuring fair value. The framework provides a fair value hierarchy that 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 under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

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 inactive 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.

All of the Society's investments are Level 1 investments.

The asset's or liability's 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.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

|                          | <u>2016</u>         | <u>2015</u>       |
|--------------------------|---------------------|-------------------|
| Building                 | \$ 1,736,500        | \$ -              |
| Land                     | 129,000             | 129,000           |
| Construction in Progress | -                   | 860,091           |
| Equipment                | 125,849             | 31,859            |
| Accumulated Depreciation | <u>(65,747)</u>     | <u>(26,271)</u>   |
|                          | <u>\$ 1,925,602</u> | <u>\$ 994,679</u> |

Depreciation expense totaled \$39,476 in the year ended December 31, 2016 and \$2,055 in the year ended December 31, 2015.

HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

NOTE 6. FUNCTIONAL EXPENSES

Expenses incurred from unrestricted net assets for the years ended December 31, 2016 and 2015 are as follows:

|                       | 2016               |                               |                  |
|-----------------------|--------------------|-------------------------------|------------------|
|                       | PROGRAM<br>EXPENSE | ADMINISTRATIVE<br>AND GENERAL | FUNDRAISING      |
| Personnel             | \$ 110,482         | \$ 18,000                     | \$ 12,000        |
| Accounting            | -                  | 5,400                         | -                |
| Office                | -                  | 12,279                        | 2,400            |
| Occupancy             | 37,722             | 6,000                         | -                |
| Depreciation          | 39,476             | -                             | -                |
| Insurance             | -                  | 11,872                        | -                |
| Pet Care and Supplies | 91,513             | -                             | -                |
| Telephone             | -                  | 2,904                         | 500              |
| Mileage Reimbursement | -                  | 2,006                         | -                |
| Vehicle Expense       | 593                | -                             | -                |
| Other                 | -                  | 5,059                         | -                |
|                       | <u>\$ 279,786</u>  | <u>\$ 63,520</u>              | <u>\$ 14,900</u> |

  

|                       | 2015               |                               |                  |
|-----------------------|--------------------|-------------------------------|------------------|
|                       | PROGRAM<br>EXPENSE | ADMINISTRATIVE<br>AND GENERAL | FUNDRAISING      |
| Personnel             | \$ 91,080          | \$ 18,000                     | \$ 12,000        |
| Accounting            | -                  | 2,350                         | -                |
| Office                | -                  | 6,724                         | 2,400            |
| Occupancy             | 21,853             | -                             | -                |
| Depreciation          | 2,055              | -                             | -                |
| Insurance             | -                  | 5,147                         | -                |
| Pet Care and Supplies | 64,857             | -                             | -                |
| Telephone             | 1,550              | 1,551                         | 500              |
| Mileage Reimbursement | 3,013              | -                             | -                |
| Vehicle Expense       | 3,015              | -                             | -                |
| Other                 | -                  | 4,322                         | -                |
|                       | <u>\$ 187,423</u>  | <u>\$ 38,094</u>              | <u>\$ 14,900</u> |

NOTE 7. LEASES

The Society leases it's office space for \$550 per month on a month to month basis.

The Society leases it's kennel/refuge space for \$605 per month on a month to month basis.

Total rent expense for the year ended Decembers 31, 2016 and 2015 were \$5,225 and \$13,860, respectively.

HUMANE SOCIETY OF MONROE COUNTY, IL  
NOTES TO FINANCIAL STATEMENTS  
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NOTE 7. LEASES (CONT'D)

There are no additional financial commitments relative to the vacancy of these premises upon moving to the new facility.

NOTE 8. LONG-TERM DEBT

Long-term debt at December 31 consists of the following:

|                                                                                                                                                            |            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|
| First National Bank of Waterloo, with variable interest,<br>payable on demand, secured by real estate                                                      | \$ 525,000 |
| Byline Financial Group, with interest at 7.88%, payable<br>in monthly installments of \$1,482.70 including<br>principal and interest, secured by equipment | 66,564     |
|                                                                                                                                                            | 591,564    |
| Less current maturities                                                                                                                                    | (538,181)  |
|                                                                                                                                                            | \$ 53,383  |

Principal payments on long-term debt are as follows:

|      |            |
|------|------------|
| 2017 | \$ 538,181 |
| 2018 | 14,220     |
| 2019 | 15,340     |
| 2020 | 16,549     |
| 2021 | 7,274      |
|      | \$ 591,564 |

NOTE 9. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 28, 2017, the date the financial statements were available to be issued.

NOTE 10. RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.