

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
Financial Statements Together with Independent Auditor's Report
As of and For the Year Ended June 30, 2016



C.E.A. SCHOLTES & ASSOCIATES
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Humane Society of Baltimore County, Inc.

We have audited the accompanying financial statements of The Humane Society of Baltimore County, Inc. (the Society), a nonprofit organization, which comprise the statement of financial position as of June 30, 2016, and the related statements of activities 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

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 financial position of The Humane Society of Baltimore County, Inc. as of June 30, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit

of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

C. E. A. Scholtes & Associates

Baltimore, Maryland
January 18, 2017

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2016

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 1,340,064
Investments, at fair value	376,975
Bequests Receivable	41,698
Pledges Receivable	22,749
Prepaid Expenses	5,722
Total Current Assets	1,787,208
Property and Equipment, net	539,422
Other Assets	
Pledge Receivable, net of present value discount of \$192	4,808
Total Other Assets	4,808
Total Assets	\$ 2,331,438
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 60,954
Deferred Revenue	16,470
Total Current Liabilities	77,424
Total Liabilities	77,424
Commitments (Note 12)	
Net Assets	
Unrestricted	
Operations	1,329,039
Board Designated - Kennel Coverings	30,000
Investment in Property and Equipment	539,422
Total Unrestricted Net Assets	1,898,461
Temporarily Restricted	95,007
Permanently Restricted	260,546
Total Net Assets	2,254,014
Total Liabilities and Net Assets	\$ 2,331,438

See accompanying notes to this financial statement and independent auditor's report.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions:				
Bequests	\$ 727,683	\$ 41,698	\$ -	\$ 769,381
Trust Income	180,727	-	-	180,727
Individuals, Corporations, Foundations	577,084	60,141	23,484	660,709
Earned Revenue:				
Spay-Neuter Center and Medical Services	232,803	-	-	232,803
Cemetery	73,236	-	-	73,236
Adoption Center	38,299	-	-	38,299
Other	12,320	-	-	12,320
In-Kind Donations	160,903	-	-	160,903
Special Events, net of \$52,237 of expense	96,868	-	-	96,868
Interest Earned	1,300	-	-	1,300
Investment Income, net	3,562	-	(8,827)	(5,265)
	<u>2,104,785</u>	<u>101,839</u>	<u>14,657</u>	<u>2,221,281</u>
Satisfaction of Purpose and Time Restrictions	174,163	(166,579)	(7,584)	-
Total Revenues, Gains and Other Support	<u>2,278,948</u>	<u>(64,740)</u>	<u>7,073</u>	<u>2,221,281</u>
EXPENSES				
Program Services:				
Spay-Neuter Center and Medical Services	447,182	-	-	447,182
Cemetery	63,091	-	-	63,091
Adoption Center	650,414	-	-	650,414
Total Program Services	<u>1,160,687</u>	<u>-</u>	<u>-</u>	<u>1,160,687</u>
Supporting Services:				
Management and General	350,382	-	-	350,382
Fundraising	71,481	-	-	71,481
Total Supporting Services	<u>421,863</u>	<u>-</u>	<u>-</u>	<u>421,863</u>
Total Expenses	<u>1,582,550</u>	<u>-</u>	<u>-</u>	<u>1,582,550</u>
CHANGE IN NET ASSETS	696,398	(64,740)	7,073	638,731
Net Assets, Beginning of Year	<u>1,202,063</u>	<u>159,747</u>	<u>253,473</u>	<u>1,615,283</u>
Net Assets, End of Year	<u>\$ 1,898,461</u>	<u>\$ 95,007</u>	<u>\$ 260,546</u>	<u>\$ 2,254,014</u>

See accompanying notes to this financial statement and independent auditor's report.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 638,731
Adjustments to Reconcile Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	53,270
Unrealized Loss on Investments	15,077
Realized Gain on Investments	(4,485)
Reinvested Dividends and Interest, net	(5,327)
Direct Write off of Uncollected Bequest	6,426
Present Value Discount Allowance	192
Changes in Assets and Liabilities:	
Decrease in Accounts Receivable	4,809
Decrease in Bequests Receivable	64,367
Increase in Pledges Receivable	(8,661)
Decrease in Prepaid Expenses	5,051
Decrease in Accounts Payable and Accrued Expenses	(24,382)
Decrease in Deferred Revenue	(2,040)
Net Cash and Cash Equivalents Provided by Operating Activities	743,028

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Investments	(213,957)
Cash Paid for Property and Equipment	(23,381)
Cash Proceeds from Sales of Investments	115,473
Net Cash and Cash Equivalents Used in Investing Activities	(121,865)

CASH FLOWS FROM FINANCING ACTIVITIES:

Principal Repayments of Term Loan	(3,319)
Net Cash and Cash Equivalents Used in Financing Activities	(3,319)

Net Increase in Cash and Cash Equivalents 617,844

Cash and Cash Equivalents, Beginning of Year 722,220

Cash and Cash Equivalents, End of Year \$ 1,340,064

Supplemental Disclosures of Cash Flow Information

Cash Payments for Interest \$ 13

See accompanying notes to this financial statement and independent auditor's report.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

1. Nature of Organization and Summary of Significant Accounting Policies

This summary of significant accounting policies of The Humane Society of Baltimore County, Inc. (the Society) is presented to assist in the understanding of the Society's financial statements. The financial statements and notes are the representations of the Society's management, who are responsible for its integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been applied in the preparation of the financial statements.

Nature of Organization

The Society was founded in 1927 as a non-profit organization, which exists to provide an effective means for the prevention of cruelty to animals throughout Baltimore County and to promote humane education in all possible ways in Baltimore County schools and homes. The Society operates as an animal shelter, a spay/neuter center, a memorial park, and a wildlife sanctuary. In addition to the earned income derived from those activities, the Society is dependent on donations from the Elsie Seeger Barton Trust Fund (see Note 7), individuals, corporations, and foundations, and income from fundraising events to support animal care operations.

Basis of Accounting

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (US GAAP) on the accrual basis of accounting, whereby, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation and Net Assets

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 958, *Not-for-Profit Entities*. Under FASB ASC No. 958, the Foundation 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.

Unrestricted net assets are the net assets that are neither permanently restricted nor temporarily restricted by donor imposed stipulations.

Temporarily restricted net assets result from contributions whose use by the Society is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of the Society pursuant to those stipulations. Net assets may be temporarily restricted for various purposes; such as use in future periods or use for specified purposes. The Society had temporarily restricted net assets of \$95,007 as of June 30, 2016.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**1. Nature of Organization and Summary of Significant Accounting Policies –
(continued)**

Basis of Presentation and Net Assets – (continued)

Permanently restricted net assets result from contributions whose use by the Society is limited by donor imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions of the Society. The Society had permanently restricted net assets of \$260,546 as of June 30, 2016.

Donated Services

The Society recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Pledges Receivable

Pledges receivable consist of amounts due within one year from the United Way campaign and one donor. Management believes all pledges receivable are collectible, and accordingly, no allowance for doubtful pledges has been provided.

Investments

Investments are stated at fair market value.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Society considers all highly liquid debt instruments purchased with a maturity of three (3) months or less to be cash equivalents.

Credit Concentrations

Although the Society places its cash with only high-credit qualified financial institutions, it occasionally has on deposit amounts greater than the federally insured limit of \$250,000 per institution. Management considers this a reasonable business risk.

Bequests Receivable and Revenue Recognition

The Society regularly receives assets from the estates of deceased individuals. Bequest receivables and revenues are recorded in the year the assets of the estate are available for distribution and amounts to be contributed to the Society are known and determinable and deemed unconditional. Otherwise, bequest revenue is recorded when received.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**1. Nature of Organization and Summary of Significant Accounting Policies –
(continued)**

Property and Equipment

The Society capitalizes substantial expenditures of \$500 or more for property and equipment having a useful life of two or more years. Expenditures for repairs, maintenance, renewals, and betterments 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 calculated using the straight-line method over the following useful lives:

	<u>Years</u>
Leasehold Improvements	30
Furniture and Equipment	10-20
Computer Equipment	5
Vehicle	5

Depreciation totaled \$53,270 for the year ended June 30, 2016.

Valuation of Long-Lived Assets

The Society accounts for the valuation of long-lived assets under FASB ASC No. 360, *Property, Plant and Equipment*. ASC No. 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell. The Society's management believes that there are no impaired long-lived assets as of June 30, 2016 and, therefore, no impairment loss has been recorded during the year ended June 30, 2016.

Advertising Costs

The Society expenses advertising costs when incurred. Advertising costs for the year ended June 30, 2016 totaled \$903.

Functional Allocation of Expenses

The costs 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.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**1. Nature of Organization and Summary of Significant Accounting Policies –
(continued)**

Income Taxes

The Society is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code.

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 positions. There were no unrecognized tax benefits identified or recorded as liabilities for the year ended June 30, 2016. The Society files federal and state information returns and is generally no longer subject to income tax examinations by major tax authorities for tax years prior to 2013.

Use of Estimates in Financial Statements

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Pronouncements Pending

In February 2015, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. The most significant change for lessees is the requirement under the new guidance to recognize right-of-use assets and lease liabilities for all leases not considered short-term leases. By definition, a short term lease is one in which: (a) the lease term is 12 months or less and (b) there is not an option to purchase the underlying asset that the lessee is reasonably certain to exercise. For short-term leases, lessees may elect an accounting policy by class of underlying asset under which right-of-use assets and lease liabilities are not recognized and lease payments are generally recognized as expense over the lease term on a straight-line basis. This change will result in lessees recognizing right-of-use assets and lease liabilities from most leases currently accounted for as operating leases under the existing lease accounting guidance. This ASU will be effective for fiscal years beginning after December 15, 2019. Management is evaluating the impact of this standard on the Society's financial statements.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

**1. Nature of Organization and Summary of Significant Accounting Policies –
(continued)**

Accounting Pronouncements Pending – (continued)

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in the ASU make improvements to the information provided in the financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance and cash flows. The ASU will be effective for fiscal years beginning after December 15, 2017. Earlier adoption is permitted. The changes in this ASU should generally be applied on a retrospective basis in the year that the ASU is first applied. The Society's management has not yet evaluated the impact of the ASU on the financial statements.

Subsequent Events

The Society evaluated the accompanying financial statements for subsequent events and transactions through January 18, 2017, the date these financial statements were available for issue and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

2. Fair Value of Financial Instruments

FASB ASC No. 820, *Fair Value Measurements and Disclosures*, established 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 No. 820 are described below:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to access.

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;

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. Fair Value of Financial Instruments - (continued)

- 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, 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.

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.

The valuation techniques used by the Society to measure fair value during the year ended June 30, 2016 maximized the use of observable inputs and minimized the use of unobservable inputs. There have been no changes in the methodologies used as of June 30, 2016.

When an active market for an identical asset is not available, alternative pricing sources and models utilizing market observable inputs are used. The Society determines whether the market for a financial instrument is active or inactive based on the security's daily volume and other market trading statistics. Inactivity of the market is evidenced by factors including decreased trade volumes, stale transaction prices and transaction prices that varied significantly either over time or among markets.

Changes in fair value are recognized in the period in which the change occurs in the statement of activities.

The following is a description of the valuation methodologies used for assets measured at fair value as of June 30, 2016:

Mutual Funds and Common Stock: Valued at the closing price reported on the active market on which the fund is traded.

Baltimore Community Foundation (BCF) Fund: Valued at the ending investment asset balance of all assets pooled together in the fund.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants,

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

2. Fair Value of Financial Instruments - (continued)

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.

The following table presents the Society's fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2016:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Market For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds	\$335,964	\$335,964	\$ -	\$ -
Common Stock	31,157	31,157	-	-
BCF Fund	9,854	-	-	9,854
Total	\$376,975	\$367,121	\$ -	\$9,854

3. Investments

Investments are stated at fair market value. The market value of the Society's investments as of June 30, 2016 is as follows:

Mutual Funds	\$335,964
Common Stock	31,157
BCF Fund	9,854
Total	\$376,975

The following schedule summarizes the net investment income for the year ended June 30, 2016:

Net Unrealized Loss	\$(15,077)
Realized Gains	4,485
Interest and Dividends	7,982
Less: Investment Fees	(2,655)
Net Investment Loss	\$ (5,265)

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

3. Investments – (continued)

ASC No. 958-205, *Non-for-Profit Entities: Presentation of Financial Statements*, established a framework of the net assets classification of donor-restricted endowment funds for any nonprofit organization that is subject to a state enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC No. 958-205, which is effective for fiscal years ending after December 15, 2008, also required expanded disclosures for all endowment funds.

In the event the Society receives donor-restricted endowment funds, determination of the net assets classification for the corpus and return on investments is based on the donor's intentions. In the event the Society's Board determines certain non-donor funds as board-designated, those respective funds are classified as unrestricted and the return on those funds is used to support the general program expenses of the annual budget.

The Society's overall financial objectives of the endowment are: (1) to support the current and future operations of the Society and (2) to preserve the purchasing power of the endowment. The Society's spending and investing policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current investment objective is to attain an average annual total return of at least 6% over rolling five-year periods. Actual returns in any given year may vary from this objective.

Changes in endowment net assets are as follows for the year ended June 30, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowed Net Assets, July 1, 2015	\$ 36,438	\$ 15,168	\$ 253,473	\$ 305,079
Interest and Dividends	2,579	-	4,800	7,379
Fees	-	-	(2,606)	(2,606)
Net Market Value Depreciation	2,274	-	(11,021)	(8,747)
Income Available for Operations	4,853	-	(8,827)	(3,974)
Contributions	-	-	23,484	23,484
Annual Balance Available for Disbursement	-	7,584	(7,584)	-
Endowed Net Assets, June 30, 2016	<u>\$ 41,291</u>	<u>\$ 22,752</u>	<u>\$ 260,546</u>	<u>\$ 324,589</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

3. Investments – (continued)

Total net assets composition was as follows as of June 30, 2016:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Funds	\$ 41,291	\$ 22,752	\$260,546	\$ 324,589
Non-Endowment Funds	1,857,170	72,255	-	1,929,425
Total Net Assets	<u>\$ 1,898,461</u>	<u>\$ 95,007</u>	<u>\$260,546</u>	<u>\$2,254,014</u>

4. Bequest Revenue and Receivable

Bequest revenue for fiscal year ended June 30, 2016 totaled \$769,381 and consisted of the following:

<u>Donor</u>	<u>Amount</u>
Estate of Carroll Phillips	\$ 326,154
Estate of John Cullen	160,836
Estate of Shirley Shannahan	102,895
Estate of Elizabeth Crowley-Holland	85,309
Estate of Helen Engel	52,810
Estate of Barbara Pierce	21,698
Estate of Harding McCubbin	20,000
Estate of Constance Doberenz	6,000
Estate of Elizabeth Michael	105
Direct write off of uncollected bequest	(6,426)
Total	<u>\$ 769,381</u>

Bequests receivable totaled \$41,698 as of June 30, 2016 and consisted of the following:

<u>Donor</u>	<u>Amount</u>
Estate of Barbara Pierce	\$ 21,698
Estate of Harding McCubbin	20,000
Total	<u>\$ 41,698</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

5. Pledges Receivable

Pledges are temporarily restricted as to purpose if specified by the donors and temporarily restricted as to time until collected. The outstanding balance as of June 30, 2016 was \$27,557, and is expected to be collected as follows:

For the Year	
Ending	
<u>June 30,</u>	<u>Amount</u>
2017	\$22,749
2018	5,000
Gross Pledges	<u>27,749</u>
Less: present value discount	(192)
Pledges Receivable, net	<u><u>\$27,557</u></u>
Current portion	22,749
Long-term portion	4,808
Pledges Receivable, net	<u><u>\$27,557</u></u>

6. Property and Equipment

Property and equipment consisted of the following as of June 30, 2016:

Leasehold Improvements	\$1,075,626
Furniture and Equipment	230,334
Computer Equipment	22,759
Vehicles	9,480
	<u>1,338,199</u>
less: accumulated depreciation	(798,777)
Property and Equipment, net	<u><u>\$ 539,422</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

7. Related Party Transactions

Elsie Seeger Barton Trust

The Elsie Seeger Barton Trust (the Trust) was formed for the benefit of the Society. The facilities and grounds used by the Society, at no cost to the Society, are owned by the Trust. Effective January 1, 2006, the Trust was converted to a unitrust, whereby the Society receives contributions equal to 4% of the value of the liquid assets (exclusive of the value of land – see below) of the Trust. The Society received contributions from the Trust totaling \$180,727 during the year ended June 30, 2016.

In addition, the Trust provides land and facilities for the Society including an office building, dog kennel and adoption center. Management has determined in-kind value for the land and facilities to be \$80,775 for the year ended June 30, 2016. In addition, the Trust is responsible for major improvements to the facilities and grounds.

8. Satisfaction of Purpose and Time Restrictions

Net assets released for purpose and time restrictions for the year ended June 30, 2016 are as follows:

Temporarily Restricted Releases

Purpose Restrictions:

Spay/Neuter and Medical – Feral Cats	\$ 20,000
Adoption Center	10,000
Sammy’s Cat Necessities Fund	5,000

Time Restrictions:

Bequests Receivable	112,491
Pledges Receivable	19,088
Total	<u>\$166,579</u>

Permanently Restricted Releases

Time Restrictions:

Annual Balance Available for Disbursement	7,584
Total Releases from Restriction	<u><u>\$174,163</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

9. Temporarily Restricted Net Assets

The Society had temporarily restricted net assets of \$95,007 as of June 30, 2016 restricted as to time and purpose as follows:

<u>Purpose Restrictions:</u>	
Playground	\$ 3,000
<u>Purpose and Time Restrictions:</u>	
Sammy's Cat Necessities Fund	9,808
<u>Time Restrictions:</u>	
Bequests Receivable	41,698
Pledges Receivable	17,749
Endowment Earnings Available for Disbursement	22,752
Total Temporarily Restricted Net Assets	<u><u>\$ 95,007</u></u>

10. Permanently Restricted Net Assets

Roy Sachs Animal Care Endowment Fund

The Roy Sachs Animal Care Endowment Fund was established for the benefit of the Society's operating mission. The fund was established in May 2002 by a gift of \$12,395, the principal of which is restricted in perpetuity as an endowment by the donor. The fund provides for income earned on the principal to be available to support the mission of the Society.

Burl Endowment Fund

In May 2014, an endowment fund was established as directed by the Burl estate in the amount of \$151,540. In fiscal years 2015 and 2016, a total of \$121,921 was deposited into the portfolio endowment. Under the direction of the decedent's estate, the Society can draw 5% of the initial asset per year to be used in operations.

The Society had permanently restricted net assets as of \$260,426 as of June 30, 2016. Specifically, the balance is comprised of the following:

Burl Endowment Fund	\$ 248,131
Roy Sachs Animal Care Endowment Fund	12,395
Total	<u><u>\$ 260,526</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

11. Concentrations

One donor accounted for 15% of total revenue, gains and other support for the year ended June 30, 2016.

12. Commitments

Effective October 24, 2013, the Society leased a multifunctional printer/photocopier having a lease term of 60 months and a monthly payment of \$441.

Total future minimum scheduled lease payments for the photocopier lease as of June 30, 2016 are as follows:

For the Year	
Ending	<u>Amount</u>
<u>June 30,</u>	
2017	\$ 5,292
2018	<u>1,764</u>
Total	<u><u>\$ 7,056</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

13. Donated Items

The Society receives donated items and services from various vendors in support of the Society's mission. Because the land is gifted in perpetuity the land could be treated as a permanently restricted gift. However, an appraisal of the land has not been performed and management is unable to value the land in order to be able to capitalize it. Therefore, management records the in-kind value of the land as a donation of \$80,775 and an offsetting rental expense for the year ended June 30, 2016 for its annual use of the land.

The Society received the following non-cash contributed services meeting the criteria for recognition during the year ended June 30, 2016:

<u>Purpose</u>	<u>Amount</u>
Land	\$ 80,775
Adoption Center	44,796
Mission	15,836
Event: Black Ties and Tails	6,721
Annual Financial Statement Audit	5,648
Wellness Center	5,181
Event: Dogfest	1,925
Yukon Fund	21
Total	<u>\$160,903</u>

14. Subsequent Event - Bequests Receivable and Revenue Recognition

Management was unable to determine the necessary information to measure interests in certain bequests during the 2016 fiscal year. However, the Society became aware of certain determinable bequest amounts during the period of July 1, 2016 through January 18, 2017 as follows:

Estate of Ellen T. Madden	\$ 450,215
Estate of Margaret Benner	169,523
Total	<u>\$ 619,738</u>

Accordingly, this revenue was appropriately recorded in the 2017 fiscal year.

SUPPLEMENTAL INFORMATION

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services				Supporting Services			
	Spay-Neuter Center	Cemetery	Adoption Center	Total	Management and General	Fundraising	Total	Total
Adoption Center Food and Supplies	\$ 12,930	\$ -	\$ 91,730	\$ 104,660	\$ -	\$ -	\$ -	\$ 104,660
Advertising	377	29	203	609	165	129	294	903
Cemetery Supplies	-	13,335	-	13,335	-	-	-	13,335
Contract Labor	98,621	6,777	-	105,398	-	-	-	105,398
Copier and Equipment	337	7	3,144	3,488	31	24	55	3,543
Credit Card Processing Fees	-	-	-	-	31,023	-	31,023	31,023
Depreciation	6,905	-	34,198	41,103	9,694	2,473	12,167	53,270
Direct Mailing	-	-	-	-	-	15,353	15,353	15,353
Dues and Subscriptions	-	205	-	205	1,054	-	1,054	1,259
Employee Benefits	12,765	871	28,543	42,179	14,177	-	14,177	56,356
Equipment Rental	6,612	629	3,963	11,204	2,898	2,257	5,155	16,359
Insurance	4,228	402	2,280	6,910	15,497	1,443	16,940	23,850
Interest	-	-	-	-	13	-	13	13
Lab Fees	7,124	-	-	7,124	-	-	-	7,124
Licenses and Permits	215	-	773	988	24	300	324	1,312
Meetings and Entertainment	2,193	208	1,182	3,583	961	749	1,710	5,293
Medical Supplies and Labor	92,404	-	-	92,404	-	-	-	92,404
Occupancy	10,470	-	51,856	62,326	14,700	3,750	18,450	80,776
Office Supplies	2,748	211	2,739	5,698	1,004	2,866	3,870	9,568
Outside Computer Services	1,813	472	2,371	4,656	795	959	1,754	6,410
Payroll Expenses	157,190	36,310	348,213	541,713	183,049	31,058	214,107	755,820
Payroll Taxes	13,066	3,004	28,807	44,877	14,964	2,087	17,051	61,928
Postage and Delivery	18	-	140	158	-	1,211	1,211	1,369
Printing and Mailing	-	-	24	24	1,006	-	1,006	1,030
Professional Fees	1,435	-	-	1,435	29,155	30	29,185	30,620
Promotional Materials	-	-	316	316	1,906	2,946	4,852	5,168
Repairs and Maintenance	3,262	197	17,508	20,967	17,754	225	17,979	38,946
Telephone	2,730	260	1,472	4,462	1,197	932	2,129	6,591
Training and Development	389	37	210	636	170	133	303	939
Uniforms	202	-	191	393	-	-	-	393
Utilities	5,832	-	28,882	34,714	8,187	2,089	10,276	44,990
Vehicle	307	36	165	508	134	105	239	747
Volunteer and Foster	-	-	932	932	-	-	-	932
Website	3,009	101	572	3,682	824	362	1,186	4,868
	<u>\$ 447,182</u>	<u>\$ 63,091</u>	<u>\$ 650,414</u>	<u>\$ 1,160,687</u>	<u>\$ 350,382</u>	<u>\$ 71,481</u>	<u>\$ 421,863</u>	<u>\$ 1,582,550</u>

See accompanying notes to this financial statement and independent auditor's report.