

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
Financial Statements Together with Independent Auditor's Report
As of and For the Year Ended June 30, 2017



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, 2017, 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, 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.

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 2, 2018

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
As of June 30, 2017

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 520,497
Investments, at fair value	1,485,385
Bequests Receivable	453,768
Pledges Receivable	7,181
Prepaid Expenses	7,665
Total Current Assets	2,474,496
Property and Equipment, net	717,441
Total Assets	\$ 3,191,937
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable and Accrued Expenses	\$ 75,372
Deferred Revenue	10,506
Total Current Liabilities	85,878
Total Liabilities	85,878
Commitments (Note 12)	
Net Assets	
Unrestricted	
Operations	1,601,276
Investment in Property and Equipment	717,441
Total Unrestricted Net Assets	2,318,717
Temporarily Restricted	504,093
Permanently Restricted	283,249
Total Net Assets	3,106,059
Total Liabilities and Net Assets	\$ 3,191,937

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, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions:				
Bequests	\$ 680,808	\$ 446,904	\$ -	\$ 1,127,712
Trust Income	184,447	-	-	184,447
Individuals, Corporations, Foundations	468,250	116,659	-	584,909
Earned Revenue:				
Spay-Neuter Center and Medical Services	217,840	-	-	217,840
Cemetery	73,058	-	-	73,058
Adoption Center	75,944	-	-	75,944
Other	3,550	-	-	3,550
In-Kind Donations	123,755	-	-	123,755
Special Events, net of \$34,027 of expense	166,895	-	-	166,895
Interest Earned	859	-	-	859
Investment Income, net	10,547	-	30,287	40,834
	<u>2,005,953</u>	<u>563,563</u>	<u>30,287</u>	<u>2,599,803</u>
Satisfaction of Purpose and Time Restrictions	162,061	(154,477)	(7,584)	-
Total Revenues, Gains and Other Support	<u>2,168,014</u>	<u>409,086</u>	<u>22,703</u>	<u>2,599,803</u>
EXPENSES				
Program Services:				
Spay-Neuter Center and Medical Services	495,972	-	-	495,972
Cemetery	70,512	-	-	70,512
Adoption Center	717,041	-	-	717,041
Total Program Services	<u>1,283,525</u>	<u>-</u>	<u>-</u>	<u>1,283,525</u>
Supporting Services:				
Management and General	322,917	-	-	322,917
Fundraising	141,316	-	-	141,316
Total Supporting Services	<u>464,233</u>	<u>-</u>	<u>-</u>	<u>464,233</u>
Total Expenses	<u>1,747,758</u>	<u>-</u>	<u>-</u>	<u>1,747,758</u>
CHANGE IN NET ASSETS	420,256	409,086	22,703	852,045
Net Assets, Beginning of Year	<u>1,898,461</u>	<u>95,007</u>	<u>260,546</u>	<u>2,254,014</u>
Net Assets, End of Year	<u>\$ 2,318,717</u>	<u>\$ 504,093</u>	<u>\$ 283,249</u>	<u>\$ 3,106,059</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in Net Assets	\$ 852,045
Adjustments to Reconcile Net Assets to Net Cash and Cash Equivalents Provided by Operating Activities:	
Depreciation	62,229
Unrealized Gain on Investments	(23,781)
Reinvested Dividends and Interest, net of fees	(17,053)
Changes in Assets and Liabilities:	
Increase in Bequests Receivable	(412,070)
Decrease in Pledges Receivable	20,376
Increase in Prepaid Expenses	(1,943)
Increase in Accounts Payable and Accrued Expenses	1,603
Decrease in Deferred Revenue	(5,964)
Net Cash and Cash Equivalents Provided by Operating Activities	475,442

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of Investments	(1,094,737)
Cash Paid for Property and Equipment	(227,433)
Cash Proceeds from Sales of Investments	17,000
Net Cash and Cash Equivalents Used in Investing Activities	(1,305,170)

Net Decrease in Cash and Cash Equivalents (829,728)

Cash and Cash Equivalents, Beginning of Year 1,340,064

Cash and Cash Equivalents, End of Year \$ 510,336

Supplemental Disclosures of Cash Flow Information

Acquisition of Property and Equipment Funded by Accounts Payable	\$ 12,815
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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, 2017

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 a temporary home, safe refuge and care for unwanted and homeless animals. The Society works to place each animal in a loving, permanent home and strives to end euthanasia of healthy, adoptable animals. The Society works through public education to provide an effective means for the prevention of cruelty to animals throughout Baltimore County. The Society operates as an animal shelter, a spay/neuter center, a pet cemetery, 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 Society 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

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

Basis of Presentation and Net Assets – (continued)

specified purposes. The Society had temporarily restricted net assets of \$504,093 as of June 30, 2017.

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 \$283,249 as of June 30, 2017.

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.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

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 \$62,229 for the year ended June 30, 2017.

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, 2017 and, therefore, no impairment loss has been recorded during the year ended June 30, 2017.

Advertising Costs

The Society expenses advertising costs when incurred. Advertising costs for the year ended June 30, 2017 totaled \$519.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

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.

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, 2017.

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

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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

Accounting Pronouncements Pending – (continued)

December 15, 2019. Management does not anticipate a material impact of this standard on the Society's financial statements.

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. Management does not anticipate a material impact of this standard on the Society's financial statements.

Subsequent Events

The Society evaluated the accompanying financial statements for subsequent events and transactions through January 2, 2018, 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.

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. Fair Value of Financial Instruments - (continued)

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, 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, 2017 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, 2017.

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, 2017:

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

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

2. Fair Value of Financial Instruments - (continued)

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 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, 2017:

	Fair Value Measurement Using			
	Quoted Prices in Active Market For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	
	Total	(Level 1)	(Level 2)	(Level 3)
Mutual Funds	\$1,442,503	\$1,442,503	\$ -	\$ -
Common Stock	31,879	31,879	-	-
BCF Fund	11,003	-	-	11,003
Total	\$1,485,385	\$1,474,382	\$ -	\$11,003

3. Investments

Investments are stated at fair market value. The market value of the Society's investments as of June 30, 2017 is as follows:

Mutual Funds	\$1,442,503
Common Stock	31,879
BCF Fund	11,003
Total	\$1,485,385

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowed Net Assets, July 1, 2016	\$ 41,291	\$ 22,752	\$ 260,546	\$324,589
Interest and Dividends	2,490	-	5,341	7,831
Fees	(5)	-	(2,744)	(2,749)
Unrealized Gains	621	-	27,690	28,311
Income Available for Operations	3,106	-	30,287	33,393
Contributions	-	-	-	-
Withdrawals for Operations	(17,000)	-	-	(17,000)
Annual Balance Available for Disbursement	-	7,584	(7,584)	-
Endowed Net Assets, June 30, 2017	<u>\$ 27,397</u>	<u>\$ 30,336</u>	<u>\$ 283,249</u>	<u>\$ 340,982</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

3. Investments – (continued)

Total net assets composition was as follows as of June 30, 2017:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment Funds	\$ 27,397	\$ 30,336	\$283,249	\$ 340,982
Non-Endowment Funds	2,291,320	473,757	-	2,765,077
Total Net Assets	<u>\$ 2,318,717</u>	<u>\$ 504,093</u>	<u>\$283,249</u>	<u>\$3,106,059</u>

4. Bequest Revenue and Receivable

Bequest revenue for fiscal year ended June 30, 2017 totaled \$1,127,712 and consisted of the following:

<u>Estate</u>	<u>Amount</u>
Madden	\$ 450,215
Cummins	300,000
Benner	205,013
Parinello	61,821
Bentley	50,000
Criss	15,748
Reckling	10,009
Bealmear	10,000
Cullen	8,149
Harrsion	6,169
Axel	3,591
Hensley	3,333
Marlow	1,513
Phillips	1,348
Doberenz	803
Total	<u>\$1,127,712</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

4. Bequest Revenue and Receivable – (continued)

Bequests receivable totaled \$453,768 as of June 30, 2017 and consisted of the following:

<u>Estate</u>	<u>Amount</u>
Cummins	\$ 300,000
Parinello	61,821
Bentley	50,000
Benner	19,335
Criss	15,748
McCubbin	6,864
Total	<u>\$ 453,768</u>

5. Pledges Receivable

Pledges are temporarily restricted as to purpose if specified by the donor and temporarily restricted as to time until collected. The outstanding balance as of June 30, 2017 was \$7,181.

6. Property and Equipment

Property and equipment consisted of the following as of June 30, 2017:

Leasehold Improvements	\$1,254,360
Furniture and Equipment	291,848
Computer Equipment	22,759
Vehicles	9,480
	<u>1,578,447</u>
less: accumulated depreciation	(861,006)
Property and Equipment, net	<u>\$ 717,441</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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 regular monthly contributions of \$15,061 totaling \$180,727 for the year. The Trust provided an additional contribution of \$3,720 to the Society for a specific project. Contributions from the Trust for the year totaled \$184,447.

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, 2017. 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, 2017 are as follows:

Temporarily Restricted Releases

Purpose Restrictions:

Kennel Covers	\$ 51,894
Operating Room Improvements	24,000
Spay and Neuter and Medical	21,000
Sammy's Cat Necessities Fund	5,000

Time Restrictions:

Bequests Receivable	34,834
Pledges Receivable	17,749
Total	<u>\$154,477</u>

Permanently Restricted Releases

Time Restrictions:

Annual Balance Available for Disbursement	7,584
Total Releases from Restriction	<u><u>\$162,061</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

9. Temporarily Restricted Net Assets

The Society had temporarily restricted net assets of \$504,093 as of June 30, 2017 restricted as to time and purpose as follows:

Purpose Restrictions:

Kennel Covers	\$ 5,000
Sammy's Cat Necessities Fund	4,808
Playground	3,000

Time Restrictions:

Bequests Receivable	453,768
Pledges Receivable	7,181
Endowment Earnings Available for Disbursement	30,336
Total Temporarily Restricted Net Assets	<u><u>\$504,093</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 \$283,249 as of June 30, 2017. Specifically, the balance is comprised of the following:

Burl Endowment Fund	\$ 270,854
Roy Sachs Animal Care Endowment Fund	12,395
Total	<u><u>\$ 283,249</u></u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

11. Concentrations

Two donors accounted for 29% of total revenue, gains and other support for the year ended June 30, 2017.

12. Commitments

Effective May 24, 2017, the Society leased a multifunctional printer/photocopier having a lease term of 60 months and a monthly payment of \$457. Total future minimum scheduled lease payments for the photocopier lease as of June 30, 2017 are as follows:

For the Year	
Ending	
<u>June 30,</u>	<u>Amount</u>
2018	\$ 5,484
2019	5,484
2020	5,484
2021	5,484
2022	<u>5,027</u>
Total	<u>\$26,963</u>

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2017

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, 2017 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, 2017:

<u>Purpose</u>	<u>Amount</u>
Land	\$ 80,775
Adoption Center	40,790
Vehicle Repairs	1,645
Event: Black Ties and Tails	395
Office Supplies	125
Event: Dogfest	25
Total	<u>\$123,755</u>

SUPPLEMENTAL INFORMATION

THE HUMANE SOCIETY OF BALTIMORE COUNTY, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017

	Program Services				Supporting Services		
	Spay-Neuter Center	Cemetery	Adoption Center	Total	Management and General	Fundraising	
Adoption Center Food and Supplies	\$ 11,634	\$ -	\$ 75,418	\$ 87,052	\$ -	\$ -	\$
Advertising	211	21	105	337	90	92	
Cemetery Supplies	-	11,349	-	11,349	-	-	
Contract Labor	99,469	7,206	-	106,675	-	-	
Copier and Equipment	782	-	944	1,726	-	-	
Credit Card Processing Fees	-	-	-	-	-	24,794	
Depreciation	8,065	-	39,950	48,015	11,325	2,889	
Direct Mailing	-	-	-	-	-	24,750	
Dues and Subscriptions	-	-	-	-	150	890	
Employee Benefits	12,411	-	33,744	46,155	22,654	-	
Equipment Rental	4,983	491	2,479	7,953	2,131	2,172	
Insurance	5,307	523	2,640	8,470	47,969	2,313	
Lab Fees	9,024	-	-	9,024	-	-	
Licenses and Permits	150	-	896	1,046	22	300	
Meetings and Entertainment	250	25	125	400	107	109	
Medical Supplies and Labor	112,826	-	-	112,826	-	-	
Miscellaneous	-	-	-	-	-	1,869	
Occupancy	10,469	-	51,856	62,325	14,700	3,750	
Office Supplies	3,435	803	3,721	7,959	948	966	
Outside Computer Services	-	-	-	-	6,083	-	
Payroll Expenses	179,091	41,087	399,625	619,803	138,835	46,219	
Payroll Taxes	14,153	3,267	29,007	46,427	13,129	4,528	
Postage and Delivery	-	-	40	40	1,065	-	
Printing and Mailing	51	48	253	352	231	21	
Professional Fees	1,276	-	-	1,276	24,579	-	
Promotional Materials	-	-	1,363	1,363	-	2,107	
Repairs and Maintenance	8,688	5,269	38,215	52,172	26,132	1,866	
Special Events	-	-	-	-	-	16,174	
Telephone	3,247	320	1,615	5,182	1,389	1,415	
Training and Development	2,600	-	436	3,036	2,215	250	
Utilities	6,208	-	30,749	36,957	8,716	2,224	
Vehicle	1,045	103	520	1,668	447	455	
Volunteer and Foster	-	-	1,603	1,603	-	-	
Website	597	-	1,737	2,334	-	1,163	
	<u>\$ 495,972</u>	<u>\$ 70,512</u>	<u>\$ 717,041</u>	<u>\$ 1,283,525</u>	<u>\$ 322,917</u>	<u>\$ 141,316</u>	<u>\$</u>

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