

West Suburban Humane Society
Audit Report
For the Year Ended December 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
West Suburban Humane Society
Downers Grove, Illinois

We have audited the accompanying financial statements of **West Suburban Humane Society** which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses and cash flows 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 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 West Suburban Humane Society as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Seiden Fox, Ltd.

August 1, 2018

West Suburban Humane Society
Statement of Financial Position
December 31,

	2017	2016
Assets		
Cash	\$ 187,946	\$ 229,993
Contribution receivable	48,078	17,766
Prepaid expenses	10,594	6,233
Investments	2,176,409	2,056,486
Property and equipment at cost less accumulated depreciation of \$199,943 in 2017 (\$191,338 in 2016)	594,414	600,501
Other assets, less accumulated amortization of \$4,597 in 2017 (\$1,532 in 2016)	38,157	26,212
Beneficial interest in assets held by others	358,988	327,684
Total assets	\$ 3,414,586	\$ 3,264,875
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 20,480	25,790
Accrued expenses	8,853	6,771
Total liabilities	29,333	32,561
Unrestricted net assets	3,385,253	3,229,814
Temporarily restricted net assets	-	2,500
Total net assets	3,385,253	3,232,314
Total liabilities and net assets	\$ 3,414,586	\$ 3,264,875

See accompanying notes.

West Suburban Humane Society
Statement of Activities
For the Year Ended December 31, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues:			
Adoption fees	\$ 67,594	\$ -	\$ 67,594
Events	144,401	-	144,401
Newsletter and mail appeals	66,093	-	66,093
Contributions	338,753	-	338,753
Bequests	159,361	-	159,361
Interest income	353	-	353
Investment income	176,936	-	176,936
	953,491	-	953,491
Net assets released from restrictions	2,500	(2,500)	-
Total revenues	955,991	(2,500)	953,491
Expenses:			
Program services	590,744	-	590,744
Management and general	87,996	-	87,996
Fund-raising	121,812	-	121,812
Total expenses	800,552	-	800,552
Change in net assets	155,439	(2,500)	152,939
Net assets, beginning of the year	3,229,814	2,500	3,232,314
Net assets, end of the year	\$ 3,385,253	\$ -	\$ 3,385,253

See accompanying notes.

West Suburban Humane Society
Statement of Activities
For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues:			
Adoption fees	\$ 77,817	\$ -	\$ 77,817
Events	127,237	-	127,237
Newsletter and mail appeals	83,395	-	83,395
Contributions	283,785	10,000	293,785
Bequests	25,375	-	25,375
Interest income	289	-	289
Investment income	89,612	-	89,612
	<u>687,510</u>	<u>10,000</u>	<u>697,510</u>
Net assets released from restrictions	<u>7,500</u>	<u>(7,500)</u>	<u>-</u>
Total revenues	<u>695,010</u>	<u>2,500</u>	<u>697,510</u>
Expenses:			
Program services	577,566	-	577,566
Management and general	98,770	-	98,770
Fund-raising	129,712	-	129,712
Total expenses	<u>806,048</u>	<u>-</u>	<u>806,048</u>
Change in net assets	(111,038)	2,500	(108,538)
Net assets, beginning of the year	<u>3,340,852</u>	<u>-</u>	<u>3,340,852</u>
Net assets, end of the year	<u>\$ 3,229,814</u>	<u>\$ 2,500</u>	<u>\$ 3,232,314</u>

See accompanying notes.

**West Suburban Humane Society
Statement of Functional Expenses
For the Year Ended December 31, 2017**

	Program Services	Management and General	Fund-raising	Total
Expenses:				
Salaries	\$ 170,882	\$ 31,478	\$ 54,481	\$ 256,841
Payroll taxes	13,502	2,487	1,777	17,766
Benefits	8,677	2,707	2,030	13,414
Administration	8,973	1,825	3,264	14,062
Animal costs	13,825	-	-	13,825
Animal supplies	33,875	-	-	33,875
Animal training and boarding	5,536	-	-	5,536
Bank service fees	4,409	-	-	4,409
Depreciation and amortization	12,470	77	845	13,392
Dues and subscriptions	1,506	1,949	986	4,441
Events and newsletters	3,264	-	48,840	52,104
Food	60,285	-	-	60,285
Insurance	4,605	11,379	606	16,590
Medical supplies	60,490	-	-	60,490
Office and building maintenance	7,744	1,351	333	9,428
Office supplies	5,613	2,434	513	8,560
Postage	2,483	457	327	3,267
Professional fees	-	28,293	6,000	34,293
Sales tax	-	2,251	-	2,251
Spay and neuter	27,920	-	-	27,920
Utilities	20,355	1,308	1,810	23,473
Veterinary care	122,588	-	-	122,588
Volunteer education	1,742	-	-	1,742
Total expenses	\$ 590,744	\$ 87,996	\$ 121,812	\$ 800,552

See accompanying notes.

**West Suburban Humane Society
Statement of Functional Expenses
For the Year Ended December 31, 2016**

	Program Services	Management and General	Fund-raising	Total
Expenses:				
Salaries	\$ 188,849	\$ 35,189	\$ 56,857	\$ 280,895
Payroll taxes	14,439	2,438	1,875	18,752
Benefits	7,876	2,234	1,646	11,756
Administration	5,139	753	4,514	10,406
Animal costs	10,938	-	-	10,938
Animal supplies	33,090	-	-	33,090
Animal training and boarding	6,782	-	-	6,782
Bank service fees	5,772	-	-	5,772
Depreciation and amortization	11,506	203	991	12,700
Dues and subscriptions	1,826	696	924	3,446
Events and newsletters	8,415	-	53,641	62,056
Food	49,628	-	-	49,628
Insurance	3,447	10,082	448	13,977
Medical supplies	44,614	-	-	44,614
Office and building maintenance	6,182	198	264	6,644
Office supplies	4,992	1,803	498	7,293
Postage	1,371	231	178	1,780
Professional fees	-	41,722	6,000	47,722
Sales tax	-	2,085	-	2,085
Spay and neuter	27,013	-	-	27,013
Utilities	21,331	1,136	1,876	24,343
Veterinary care	123,985	-	-	123,985
Volunteer education	371	-	-	371
Total expenses	\$ 577,566	\$ 98,770	\$ 129,712	\$ 806,048

See accompanying notes.

West Suburban Humane Society
Statement of Cash Flows
For the Year Ended December 31,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 152,939	\$ (108,538)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net gain on investments	(127,085)	(63,191)
Donated stock	(3,047)	(5,221)
Investment fees	10,209	25,156
Depreciation and amortization	13,392	12,700
Change in beneficial interest in assets held by others	(45,712)	(22,328)
Changes in operating assets and liabilities:		
Receivables	(30,312)	6,758
Prepaid expenses	(4,361)	(908)
Other assets	(15,010)	(9,114)
Accounts payable and accrued expenses	(3,228)	753
Net cash from operating activities	(52,215)	(163,933)
Cash flows from investing activities:		
Purchase of investments	(8,698,579)	(288,000)
Proceeds from the sale of investments	8,698,579	288,000
Distribution from assets held by others	14,408	14,700
Purchase of furniture, equipment and improvements	(4,240)	(11,867)
Net cash from investing activities	10,168	2,833
Net change in cash	(42,047)	(161,100)
Cash, beginning of the year	<u>229,993</u>	<u>391,093</u>
Cash, end of the year	<u>\$ 187,946</u>	<u>\$ 229,993</u>

See accompanying notes.

West Suburban Humane Society Notes to the Financial Statements

1. Summary of Significant Accounting Policies

Organization and Purpose – West Suburban Humane Society (Shelter) is an animal shelter, first incorporated in 1973, that provides animals with shelter, food and veterinary care. The Shelter's purpose is to operate as a no-kill animal shelter that finds permanent homes for cats and dogs in its care. Within this role, it has programs that educate the public on spaying and neutering and encourage the charitable treatment and care of animals.

Basis of Accounting – The Shelter maintains its accounts on the accrual basis in accordance with generally accepted accounting principles. The Shelter classifies net assets and transactions into three classes:

Permanently Restricted Net Assets – Net assets restricted by donors to be maintained by the Shelter in perpetuity.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that may or will be met by actions of the Shelter or the passage of time.

Unrestricted Net Assets – Net assets not subject to donor imposed stipulations.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their use is restricted by explicit donor stipulation or by law. Expiration of temporary restrictions on net assets (i.e., the donor imposed stipulated purpose has been fulfilled or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give are reported at fair value at the date the gift is received, or as soon as the promise becomes unconditional. Subsequent adjustments to the fair value are recognized as public support consistent with the initial recording of the gift. Bequests are considered unconditional when the probate court declares the testamentary instrument valid and the proceeds are measurable. Intentions to give which are not legally enforceable are recorded as contribution revenue when collected.

The Shelter did not have any permanently restricted net assets at December 31, 2017.

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Use of Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and activities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

A significant estimate used in the preparation of these financial statements includes investments being recorded at fair value, for which the ultimate realization of the investments is based upon future economic factors related to investments. It is reasonably possible that the recorded amount or related disclosures could significantly change in the near future as new information is available.

Fair Value Measurements – Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is categorized in three levels based on the reliability of observable inputs as follows:

Level 1 – Valuations are based on quoted prices in active markets for identical assets or liabilities that the Shelter has the ability to access at the measurement date.

Level 2 – Valuations are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and model-derived valuations whose significant inputs are observable.

Level 3 – Valuations are based on unobservable inputs for the asset or liability that reflect the reporting entity's own data and assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation methodologies used for investments measured at fair value, including the beneficial interest in assets held by others, as well as the general classification of such investments pursuant to the valuation hierarchy.

Mutual funds and common stock are valued using quoted market prices. Accordingly, these assets are categorized in Level 1 of the fair value hierarchy, see Note 2.

The fair value of the beneficial interest in assets held by others is based on a percentage interest of the underlying assets held. Accordingly, these assets are categorized in Level 2 of the fair value hierarchy, see Note 4.

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

1. Summary of Significant Accounting Policies (cont'd)

Cash – For the purpose of the statement of cash flows, the Shelter considers all cash on hand and in banks to be cash. Money market funds at brokerages are considered investments.

Certificates of Deposit – Certificates of deposit are stated at cost, which approximates fair value. All certificates of deposit held at December 31, 2017, mature in less than one year.

Property and Equipment – Items are capitalized at cost if purchased or constructed, or at fair value if contributed. Depreciation of buildings and equipment is provided by the straight-line method over the estimated useful life of the assets.

Donated Services – A substantial number of volunteers have donated significant amounts of time toward the program activities of the Shelter; however, no amount has been reflected in the financial statements. These services did not satisfy the criteria for recognition under generally accepted accounting principles.

Donated Items – The Shelter accepts gifts of tangible personal property to help fulfill their mission. Such items to be used by the Shelter are valued by type, based on an average fair market value. They are recorded in contribution revenue and are expensed, based on their natural classification. The value of donated items recorded in 2017, was \$67,079 (\$55,562 in 2016).

Income Taxes – The Shelter is tax exempt under Section 501(c)(3) of the Internal Revenue Code, except for income not related to its exempt purpose. The Shelter had no income unrelated to its exempt purpose. Accordingly, no provision for income taxes has been provided for in the financial statements. The Shelter's federal and state tax returns for the years ended December 31, 2014 through 2016, remain subject to examination.

Reclassification – Certain amounts from the 2016 financial statements have been reclassified to conform with the 2017 reporting format. There was no effect on the 2016 change in net assets or financial position.

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

2. Investments

Investments in mutual funds, common stock and certificates of deposit are held at a single investment brokerage firm. Fair values of investments measured on a recurring basis at December 31, 2017, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market	\$ 1,213,221	\$ -	\$ -	\$ 1,213,221
Common stock	3,188	-	-	3,188
	<u>\$ 1,216,409</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,216,409</u>
Certificates of deposit				<u>960,000</u>
				<u>\$ 2,176,409</u>

Fair values of investments measured on a recurring basis at December 31, 2016, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds:				
Money market	\$ 31,751	\$ -	\$ -	\$ 31,751
Domestic equity	772,766	-	-	772,766
International equity	77,789	-	-	77,789
Asset allocation	483,249	-	-	483,249
Domestic fixed income	681,615	-	-	681,615
Common stock	9,316	-	-	9,316
	<u>\$ 2,056,486</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,056,486</u>

Investment return during the year ended December 31 is as follows:

	<u>2017</u>	<u>2016</u>
Interest and dividend income	\$ 25,360	\$ 62,536
Net realized and unrealized gains	<u>151,576</u>	<u>27,076</u>
Total investment income	<u>\$ 176,936</u>	<u>\$ 89,612</u>

Investment expenses and fees included as professional fees, totaled \$14,348 for 2017 (\$29,247 for 2016).

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

3. Property and Equipment

Property and equipment consist of the following at December 31:

	2017	2016
Land	\$ 523,684	\$ 523,684
Building and improvements	250,803	247,493
Equipment	19,870	20,662
	794,357	791,839
Less accumulated depreciation	(199,943)	(191,338)
	\$ 594,414	\$ 600,501

Depreciation expense totaled \$10,327 for the year ended December 31, 2017 (\$11,168 for the year ended December 31, 2016).

4. Beneficial Interest in Assets Held by Others – DuPage Foundation

The Shelter established an Agency Fund (Fund) in 2013, with the DuPage Foundation (Foundation) to strengthen the future of the Shelter. The Fund was created with an original gift of \$300,000. The Board of Directors designates the use of the monies in the Fund. The intent of the Board is to maintain the original gift in perpetuity and only draw on earnings. The Shelter understands that the Foundation's Board of Trustees shall have ultimate control over the assets deposited in the Fund, excepting and providing that if the Shelter's Board determines that it is in the Shelter's best interest, it may elect to withdraw any funds transferred to the Foundation upon written notice, not less than three months in advance of the date needed.

The Fund had a balance of \$358,988 at December 31, 2017 (\$327,684 at December 31, 2016). Net gain on the Fund for 2017, was \$45,712, of which \$49,851 is included in the investment gain and \$4,139 was for investment fees. Net gain on the Fund for 2016, was \$22,328, of which \$26,420 is included in the investment gain and \$4,092 was for investment fees. The Foundation maintains an investment pool for all its funds which consists primarily of marketable equity securities (common stock and mutual funds), fixed income securities, funds of hedge funds, real estate funds and commodity funds. No specific securities are designated for a specific fund. Realized gains/losses, unrealized gains/losses, and dividend and interest income net of fees are divided monthly on a prorated basis across all funds of the Foundation.

5. Concentration of Credit Risk

The Shelter maintains cash and certificates of deposit with various financial institutions. The Shelter periodically has deposits in excess of federally insured limits. The Shelter has not experienced any loss in such accounts. At December 31, 2017, the Shelter had no uninsured cash deposits. The Shelter believes it is not exposed to any significant credit risk on its cash and deposits.

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2016, consist of amounts received to offset costs of a summer camp program occurring in 2017. That amount was released from restriction during 2017.

7. Operating Lease

The Shelter has entered into a 60-month operating lease for office equipment payable in monthly installments of \$167, expiring in June 2019. Future minimum lease payments under the lease are as follows:

2018	\$ 2,004
2019	<u>1,002</u>
	<u>\$ 3,006</u>

Rental expense under this agreement for the year ended December 31, 2017, was \$2,129 (\$1,952 for the year ended December 31, 2016).

8. Website

The Shelter launched a new website in 2016, at a total cost of \$9,194. This cost is recorded as an other asset on the statement of financial position. The website costs will be amortized over a three-year period, with \$3,065 amortized in 2017 (\$1,532 amortized in 2016).

9. Related Parties

In 2017, the Shelter incurred expenses of approximately \$34,000 for veterinary care received from an animal hospital owned by one member of the Board. In 2016, the Shelter incurred expenses of approximately \$63,000 for veterinary care received from animal hospitals owned by two members of the Board. These services were provided at a cost that was similar or below the cost of services obtained elsewhere.

10. Commitments

During 2015, the Shelter signed a contract with a firm to provide architectural and engineering services related to the design of a new building. Total cost to date is \$26,832, of which \$8,282 was incurred in 2017 (\$4,300 incurred in 2016). These costs are recorded as an other asset on the statement of financial position.

During 2018, the Shelter cancelled the 2015 contract and signed a new contract with the same firm. The expected cost of these services is approximately \$175,000. Expenditures under this contract will be approved and expended in stages over the next several years.

West Suburban Humane Society
Notes to the Financial Statements (cont'd)

10. Commitments (cont'd)

During 2017, the Shelter engaged a firm to conduct a campaign feasibility study at a total cost of \$26,000. Total cost to date is \$4,000, which was recorded as an other asset on the statement of financial position.

During 2018, the Shelter engaged the same firm to provide campaign management services. The expected cost of these services is \$108,000.

11. Subsequent Events

Subsequent to year end, the Shelter received notification that they were the beneficiary of two bequests. Subsequent events have been evaluated through August 1, 2018, which is the date the financial statements were available to be issued.

12. Future Accounting Standards

Not-For-Profit Reporting – During 2016, the Financial Accounting Standards Board issued new standards relating to not-for-profit financial reporting. Significant changes to the current standards include adding two new classes of net assets (net assets with donor restrictions and net assets without donor restrictions), requiring expenses to be disclosed by their natural classification and function, as well as quantitative and qualitative information on the availability of financial assets and liquidity. The standard will be effective for 2018. The Shelter has not determined the effect of adopting the new standard.

Leases – During 2016, the Financial Accounting Standards Board issued new standards relating to lease accounting. The new standard will require the Shelter to recognize on its balance sheet, the asset and liability of their leasing agreements relating to the rights and obligations created by the leases. The standard will be effective for 2020. The Shelter has not determined the effect of adopting the new standard.