

**THE HUMANE SOCIETY OF GREATER
KANSAS CITY, INC.**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT**

Year Ended December 31, 2013

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
December 31, 2013

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EMERICK & COMPANY, P.C.

David Emerick
Rick Hann

CERTIFIED PUBLIC ACCOUNTANTS & AUDITING PROFESSIONALS

Independent Auditor's Report

Board of Directors
The Humane Society of Greater Kansas City, Inc.
Kansas City, Kansas

We have audited the accompanying financial statements of The Humane Society of Greater Kansas City (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, 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 Greater Kansas City as of December 31, 2013, 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.

Emerick + Company, P.C.

Kansas City, Missouri
November 5, 2014

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current Assets:

Cash and cash equivalents	\$	88,411
Accounts receivable, net of allowance of \$37,014		12,178
Inventory		33,945
Prepaid expense		2,164
Total Current Assets		136,698

Noncurrent Assets:

Other assets		426
Property and equipment, net of accumulated depreciation of \$617,220		1,304,304
Construction in progress		130,000
Total Noncurrent Assets		1,434,730

TOTAL ASSETS		\$ 1,571,428
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LIABILITIES AND NET ASSETS

Liabilities:

Current maturities of notes payable	\$	11,212
Accounts payable		178,808
Accrued expenses		69,983
Total Current Liabilities		260,003

Notes payable, long-term		226,788
Total Liabilities		486,791

Net Assets:

Unrestricted		1,067,113
Temporarily restricted		17,524
Total Net Assets		1,084,637

TOTAL LIABILITIES AND NET ASSETS		\$ 1,571,428
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See notes to financial statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED NET ASSETS

SUPPORT:

Contributions and honorariums	\$ 346,895
Legacies and bequests	232,992
Grants	70,165
Special event revenue	\$ 302,285
Less direct costs	<u>(68,437)</u>
Net revenues from special events	<u>233,848</u>

Total Support 883,900

REVENUE:

Clinic service and sales	793,536
Membership and adoption	38,497
Interest income	(253)
Released from restrictions	<u>503,818</u>

Total Revenue 1,335,598

Total Unrestricted Support and Revenue 2,219,498

EXPENSES:

Program expenses:	
Clinic	1,107,788
Shelter	454,621
Education	1,806
Total Program Expenses	<u>1,564,215</u>

Supporting services expenses:	
Management and general	138,426
Fundraising	174,404
Capital campaign	1,060
Total Supporting Services Expenses	<u>313,890</u>

Total Expenses 1,878,105

CHANGE IN UNRESTRICTED NET ASSETS 341,393

TEMPORARILY RESTRICTED NET ASSETS

Revenue:	
Capital campaign	6,770
Released from restrictions	<u>(503,818)</u>

CHANGE IN TEMPORARILY RESTRICTED NET ASSETS (497,048)

CHANGE IN NET ASSETS FROM OPERATIONS (155,655)

CHARGE FOR TERMINATION OF CAPITAL CAMPAIGN (503,072)

CHANGE IN NET ASSETS (658,727)

NET ASSETS, Beginning of year 1,743,364

NET ASSETS, End of year \$ 1,084,637

See Notes to Financial Statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (658,727)
Items not requiring (providing) cash:	
Depreciation expense	52,104
Charge for termination of capital campaign	503,072
Changes in:	
Accounts receivable	3,153
Inventory	2,985
Prepaid expenses and other assets	585
Accounts payable	(38,803)
Accrued expenses	17,880
	(117,751)
Net cash used by operating activities	(117,751)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net purchases and dispositions of property and equipment	(7,326)
Net cash used by investing activities	(7,326)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds received from note payable	238,000
Payments made on outstanding debt	(133,172)
Net cash provided by financing activities	104,828

Net decrease in cash and cash equivalents	(20,249)
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CASH AND CASH EQUIVALENTS - DECEMBER 31, 2012	108,660
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CASH AND CASH EQUIVALENTS - DECEMBER 31, 2013	\$ 88,411
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Cash paid for interest	\$ 12,108
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See notes to financial statements

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Humane Society of Greater Kansas City, Inc. (the Society) is a nonprofit organization whose mission is to promote the welfare of dogs and cats throughout the greater Kansas City area by providing education, preventive veterinary care, adoptions and spay and neuter services to prevent over population. The Humane Society operates a preventative veterinary clinic, adoption shelter, humane education program and development department, which organizes fund raisers, in order to provide the aforementioned services.

Financial Statement Presentation

The Society has adopted the reporting format set forth in the Financial Accounting Standards Board Codification No. ASC 958. Under this Standard, the financial statements are reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. Unrestricted net assets are not subject to donor-imposed stipulations.

Temporarily restricted net assets have donor-imposed or time restrictions that have not been met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. At December 31, 2013, temporarily restricted net assets consisted of pledges receivable that will be collected in future years and cash accounts from previous collections.

Basis of Accounting

The financial records of the Society are maintained on the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Society considers all cash accounts, money markets, and certificates of deposits with maturities less than three months to be cash and cash equivalents.

Property and Equipment

Property and equipment costing over \$200 with a useful life of over four years are capitalized and depreciation is provided over the estimated useful lives of the assets ranging from four to 40 years, using the straight-line method of depreciation. Donated property and equipment are reflected as contributions in the accompanying statements at their estimated market value at date of receipt.

Contributed 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. No donated services were recognized during 2013.

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2013

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Services (continued)

Other unpaid volunteers make significant contributions of their time to the Society's program and fund-raising activities. The value of this contributed time, which does not meet the criteria outlined above, is not reflected in these statements. Because recognition of these contributed services as revenue would also involve recognition of corresponding expenses, there would be no effect on net assets.

Accounts Receivable

Included in accounts receivable are unpaid charges for clinic services. Receivables deemed uncollectible are written off annually.

Income Taxes

The Society was incorporated under the laws of the State of Kansas as a not-for-profit corporation. The Society is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and accordingly, no provision for income taxes is provided. In addition, the Society has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risk Management

The Society is exposed to various risks of loss from torts, theft of, damage and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Functional Expenses

The Society allocates expenses into their proper functional classification of clinic, shelter, education, general and administrative, fund-raising, or capital campaign expense based upon the nature of the expense as being either a program service or a support service.

Inventory

Inventories, consisting principally of medicines, food and other supplies for the clinic and shelter, are stated at the lower of cost or market. Cost is determined by the average cost method.

Subsequent Events

Subsequent events have been evaluated through November 5, 2014, which is the date the financial statements were available to be issued.

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2013

NOTE 2: PROPERTY AND EQUIPMENT

Land, property and equipment consist of the following:

Equipment	\$ 56,366
Buildings	1,714,521
Land	<u>150,637</u>
	1,921,524
Less accumulated depreciation	<u>617,220</u>
Total	<u>\$1,304,304</u>

NOTE 3: ACCRUED EXPENSES

Accrued expenses as of December 31, 2013 consisted of the following:

Accrued payroll, etc.	\$ 29,429
Accrued vacation	27,877
Other	<u>12,677</u>
Total	<u>\$ 69,983</u>

NOTE 4: NOTES PAYABLE

In 2013, the Society refinanced the remaining balance on the construction loan for its building and borrowed additional funds to meet current obligations. The loan is secured by a mortgage on the real estate and is to be repaid over 60 months with interest at 5% and monthly payments of \$1,926. Future payments on principal are as follows:

2014	11,212
2015	11,773
2016	12,361
2017	12,979
2018	<u>189,675</u>
	<u>\$ 238,000</u>

NOTE 5: RETIREMENT PLAN

In January 2007 the Society adopted a 401(k) plan for eligible employees. Employees 21 and over with a year of service may contribute up to 100% of eligible compensation, as limited by current law. The plan allows for a voluntary employer match of 50% of employee contribution up to 3% of compensation. There was no employer match contribution in 2013.

THE HUMANE SOCIETY OF GREATER KANSAS CITY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2013

NOTE 6: OPERATING LEASE

The Society entered into a lease for its copier in June of 2010. The lease is for 60 months at \$429 a month. Approximate lease expense for the copier is \$10,553 for 2013. As of December 31, 2013, the total remaining operating lease payments under a noncancelable operating lease, which pertain to a copier, are as follows:

2014	\$ 5,148
2015	<u>2,574</u>
Total Minimum Lease Payments	<u>\$ 7,722</u>

NOTE 7: TAX POSITIONS

As a tax-exempt organization under Internal Revenue Code (IRC) Section 501(C)(3), the Society is required to file a Form 990, Return of Organization Exempt from Income Tax each year. The information in these returns are used by the IRS to substantiate the Organizations' continuing tax exempt status. The last three years of these returns are open to IRS examination. In addition, if the organization has unrelated business income it is required to file a Form 990-T, Exempt Organization Business Income Tax Return and pay tax on any net income. It is the determination of management that this is not required for the year included in these financial statements.

NOTE 8: TERMINATION OF CAPITAL CAMPAIGN

During the year, the Organization indefinitely suspended its capital campaign to expand their current facility. The pledges related to the capital campaign are not expected to be collected and have been written off. The bad debt expense related to the write-off of pledges is shown on the statement of activities.

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31, 2013 are restricted for the capital campaign.