

# Thomson & Company, PLLC

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Whatcom Humane Society  
Bellingham, Washington

### *Report on the Financial Statements*

We have audited the accompanying financial statements of Whatcom Humane Society (a nonprofit corporation) which comprise the statement of financial position as of December 31, 2015, 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*

These financial statements are the responsibility of the Society's management. Management is responsible for the fair presentation and preparation 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 of 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 Whatcom Humane Society as of December 31, 2015, and the changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Other Matter*

Report on Summarized Comparative Information

Whatcom Humane Society's financial statements for December 31, 2014 were audited by other auditors, who expressed an unmodified audit opinion on those audited financial statements in their report dated December 7, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Thumson & Company PLLC*

Bellingham, Washington  
February 20, 2017

WHATCOM HUMANE SOCIETY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015  
(With Summarized Comparative Totals for December 31, 2014)

**ASSETS**

	2015	2014
<b>Current assets</b>		
Cash and cash equivalents	\$ 123,976	\$ 121,492
Accounts receivable	60,639	57,026
Inventory	4,710	-
Prepaid expenses	9,347	7,793
Total current assets	198,672	186,311
Property and equipment, net	4,793,914	4,904,472
Investments	85,606	215,324
Total assets	\$ 5,078,192	\$ 5,306,107

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accrued liabilities	\$ 168,752	\$ 153,976
Current portion of capital lease obligation	2,258	3,000
Current portion of long term debt	27,745	30,000
Total current liabilities	198,755	186,976
Capital lease obligation, net of current portion	-	2,793
Long term debt, net of current portion	432,608	459,484
Total liabilities	631,363	649,253
<b>NET ASSETS</b>		
Unrestricted	4,393,137	4,468,162
Temporarily restricted	53,692	188,692
Total net assets	4,446,829	4,656,854
Total liabilities and net assets	\$ 5,078,192	\$ 5,306,107

The Accompanying Notes are an Integral Part of these Financial Statements

WHATCOM HUMANE SOCIETY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	Unrestricted	Temporarily Restricted	Totals	
			2015	2014
<b>REVENUE AND SUPPORT</b>				
Contributions	\$ 1,023,743	\$ -	\$ 1,023,743	\$ 1,060,701
Contract income	646,613	-	646,613	646,997
License and impound income	162,243	-	162,243	149,651
Adoption income	109,998	-	109,998	99,991
Clinic income	27,433	-	27,433	27,838
Interest and dividend income	6,780	-	6,780	5,222
Realized and unrealized gain on investments	1,238	-	1,238	17,740
In-kind contributions	5,775	-	5,775	6,284
Other income	23,187	-	23,187	11,669
	<u>2,007,010</u>	<u>-</u>	<u>2,007,010</u>	<u>2,026,093</u>
Revenue and support	2,007,010	-	2,007,010	2,026,093
Assets released from restriction	<u>135,000</u>	<u>(135,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	2,142,010	(135,000)	2,007,010	2,026,093
<b>EXPENSES</b>				
Program Services	1,559,244	-	1,559,244	1,477,484
Management and general	404,634	-	404,634	471,794
Fundraising	<u>253,157</u>	<u>-</u>	<u>253,157</u>	<u>179,313</u>
Total functional expenses	2,217,035	-	2,217,035	2,128,591
<b>DISCONTINUED OPERATIONS</b>				
Income from discontinued Paws Awhile retail operations	-	-	-	7,846
Loss on disposal of Paws Awhile assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,118)</u>
Total income from discontinued operations	-	-	-	1,728
<b>CHANGES IN NET ASSETS</b>	(75,025)	(135,000)	(210,025)	(100,770)
NET ASSETS, beginning of year	<u>4,468,162</u>	<u>188,692</u>	<u>4,656,854</u>	<u>4,757,624</u>
NET ASSETS, end of year	<u>\$ 4,393,137</u>	<u>\$ 53,692</u>	<u>\$ 4,446,829</u>	<u>\$ 4,656,854</u>

The Accompanying Notes are an Integral Part of these Financial Statements

WHATCOM HUMANE SOCIETY  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED DECEMBER 31, 2015  
 (With Summarized Comparative Totals for the Year Ended December 31, 2014)

	Program Services	Management and General	Fundraising	Total 2015	Total 2014
Salaries	\$ 897,804	\$ 115,860	\$ 63,833	\$ 1,077,497	\$ 1,007,429
Payroll taxes	129,540	14,141	9,139	152,820	138,211
Employee benefits	94,971	10,943	8,794	114,708	95,710
Total salaries, payroll taxes and ben	1,122,315	140,944	81,766	1,345,025	1,241,350
Medical supplies	75,082	-	-	75,082	93,659
Mailings	23,931	1,119	63,572	88,622	82,685
Other supplies	74,500	4,821	8,801	88,122	80,459
Special Events	-	-	89,868	89,868	67,949
Outside services	38,087	6,530	1,585	46,202	65,034
Miscellaneous	6,184	595	9	6,788	50,550
Utilities	12,765	54,051	-	66,816	45,868
Vehicle and patrol	38,053	1,002	-	39,055	37,164
Occupancy	1,000	29,783	-	30,783	30,457
Interest	-	22,624	-	22,624	28,689
Animal food	35,051	-	-	35,051	28,471
Other animal expense	27,654	-	-	27,654	27,765
Insurance	6,170	12,336	-	18,506	27,184
Taxes	2,601	17,350	-	19,951	19,498
Bad debt	-	-	-	-	15,398
Bank charges	-	14,946	-	14,946	14,623
Professional fees	-	18,828	-	18,828	13,620
Office	10,442	7,938	5,412	23,792	12,887
Repairs and maintenance	2,712	5,230	-	7,942	9,587
Human resources	7,644	8,222	658	16,524	8,748
In-kind	5,775	-	-	5,775	6,284
Dues and subscriptions	1,777	1,576	1,249	4,602	5,037
Training and education	3,141	208	195	3,544	2,832
Travel and meals	6,583	-	42	6,625	177
Advertising	1,246	-	-	1,246	-
	1,502,713	348,103	253,157	2,103,973	2,015,975
Depreciation	56,531	56,531	-	113,062	112,616
Total functional expense	<u>\$ 1,559,244</u>	<u>\$ 404,634</u>	<u>\$ 253,157</u>	<u>\$ 2,217,035</u>	<u>\$ 2,128,591</u>

The Accompanying Notes are an Integral Part of these Financial Statements

WHATCOM HUMANE SOCIETY  
STATEMENT OF CASH FLOWS-ALL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (210,025)	\$ (100,770)
<i>Adjustments to reconcile changes in net assets to net cash flows from operating activities</i>		
Depreciation	113,062	112,616
Realized and unrealized gain(loss) on investments	1,238	(17,740)
Reinvested dividends and interest	(6,780)	(5,222)
Investment fees	2,535	3,685
<i>Changes in operating assets and liabilities</i>		
Receivables	(3,613)	11,210
Inventory	(4,710)	6,663
Prepaid expenses	(1,554)	5,346
Accrued liabilities	14,776	28,030
Net cash flows from operating activities	(95,071)	43,818
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Purchase) maturity of certificates of deposit	(311)	9,553
Redemptions and purchases of marketable securities	133,036	19,650
Purchase of property and equipment	(2,504)	(24,894)
Net cash flows from investing activities	130,221	4,309
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on leases	(3,535)	(2,664)
Payments on long-term debt	(29,131)	(115,913)
Net cash flows from financing activities	(32,666)	(118,577)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	2,484	(70,450)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	121,492	191,942
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 123,976	\$ 121,492
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 22,624	\$ 28,689

The Accompanying Notes are an Integral Part of these Financial Statements