

# KOPLAS & COMPANY

CPA PA

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Humane Society of the Treasure Coast, Inc.  
Palm City, Florida

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Humane Society of the Treasure Coast, Inc., which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activity, 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 error or fraud.

### ***Auditors' Responsibility***

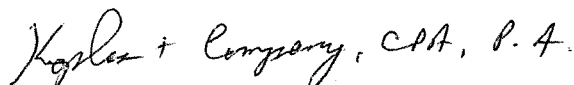
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider 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 the Treasure Coast, Inc. as of September 30, 2015 and 2014, 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.



Koplas & Company, CPA, P.A.  
Palm City, Florida  
February 3, 2016

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents	\$ 126,054	\$ 501,659	\$ 4,585	\$ 632,298
Contract support receivable (net)	10,288	-	-	10,288
Prepaid expenses	4,871	10,928	-	15,799
Advances on behalf of employees	-	-	-	-
Investments, at market	1,109,153	-	850,261	1,959,414
Total Current Assets	<u>1,250,366</u>	<u>512,587</u>	<u>854,846</u>	<u>2,617,799</u>
Other Assets				
Land, buildings, and equipment (net)	2,614,422	19,667	-	2,634,089
Land held for investment	189,720	-	-	189,720
Deposits	15,022	-	-	15,022
Total Other Assets	<u>2,819,164</u>	<u>19,667</u>	<u>-</u>	<u>2,838,831</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,069,530</u></b>	<b><u>\$ 532,254</u></b>	<b><u>\$ 854,846</u></b>	<b><u>\$ 5,456,630</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	\$ 60,817	\$ -	\$ -	\$ 60,817
Deferred revenue	-	33,259	-	33,259
Accrued liabilities	39,564	-	-	39,564
Total Current Liabilities	<u>100,381</u>	<u>33,259</u>	<u>-</u>	<u>133,640</u>
Total Liabilities	<u>100,381</u>	<u>33,259</u>	<u>-</u>	<u>133,640</u>
<b><u>NET ASSETS</u></b>				
Unrestricted	3,969,149	-	-	3,969,149
Temporarily restricted	-	498,995	-	498,995
Permanently restricted	-	-	854,846	854,846
Total Net Assets	<u>3,969,149</u>	<u>498,995</u>	<u>854,846</u>	<u>5,322,990</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,069,530</u></b>	<b><u>\$ 532,254</u></b>	<b><u>\$ 854,846</u></b>	<b><u>\$ 5,456,630</u></b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>ASSETS</u></b>				
Current Assets				
Cash and cash equivalents	\$ 31,604	\$ 251,278	\$ 33,122	\$ 316,004
Contract support receivable (net)	18,888	-	-	18,888
Prepaid expenses	7,751	8,425	-	16,176
Advances on behalf of employees	614	-	-	614
Investments, at market	1,175,338	56,491	702,522	1,934,351
Total Current Assets	<u>1,234,195</u>	<u>316,194</u>	<u>735,644</u>	<u>2,286,033</u>
Other Assets				
Land, buildings, and equipment (net)	2,664,924	3,000	-	2,667,924
Land held for investment	189,720	-	-	189,720
Deposits	15,022	-	-	15,022
Total Other Assets	<u>2,869,666</u>	<u>3,000</u>	<u>-</u>	<u>2,872,666</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,103,861</u></b>	<b><u>\$ 319,194</u></b>	<b><u>\$ 735,644</u></b>	<b><u>\$ 5,158,699</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b><u>LIABILITIES</u></b>				
Current Liabilities				
Accounts payable	\$ 34,748	\$ -	\$ -	\$ 34,748
Deferred revenue	-	14,990	-	14,990
Accrued liabilities	28,057	-	-	28,057
Total Current Liabilities	<u>62,805</u>	<u>14,990</u>	<u>-</u>	<u>77,795</u>
Total Liabilities	<u>62,805</u>	<u>14,990</u>	<u>-</u>	<u>77,795</u>
<b><u>NET ASSETS</u></b>				
Unrestricted	4,041,056	-	-	4,041,056
Temporarily restricted	-	304,204	-	304,204
Permanently restricted	-	-	735,644	735,644
Total Net Assets	<u>4,041,056</u>	<u>304,204</u>	<u>735,644</u>	<u>5,080,904</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,103,861</u></b>	<b><u>\$ 319,194</u></b>	<b><u>\$ 735,644</u></b>	<b><u>\$ 5,158,699</u></b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF ACTIVITY**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>PUBLIC SUPPORT</u></b>				
Contributions and bequests	\$ 897,319	\$ 445,679	\$ -	\$ 1,342,998
Special events proceeds	380,488	10,000	-	390,488
Less cost of direct benefits to participants	(145,449)	-	-	(145,449)
Thrift store sales	905,239	-	-	905,239
Less store operating costs	(531,870)	-	-	(531,870)
Pet boutique (net)	4,389	-	-	4,389
Total Public Support	<u>1,510,116</u>	<u>455,679</u>	<u>-</u>	<u>1,965,795</u>
<b><u>OTHER REVENUES</u></b>				
Program service fees	426,848	-	-	426,848
Governmental contracts	13,733	545,387	-	559,120
Interest and dividends	37,751	-	21,224	58,975
Ground lease	-	-	14,723	14,723
Realized gain (loss) on sales of investments	9,832	-	-	9,832
Realized gain (loss) on sales of other assets	4,786	-	-	4,786
Unrealized gain (loss) on investments	(23,567)	-	(30,798)	(54,365)
Total Other Revenues	<u>469,383</u>	<u>545,387</u>	<u>5,149</u>	<u>1,019,919</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>				
Satisfaction of time and usage restrictions	<u>842,222</u>	<u>(806,275)</u>	<u>(35,947)</u>	<u>(0)</u>
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	<u>2,821,721</u>	<u>194,791</u>	<u>(30,798)</u>	<u>2,985,714</u>
<b><u>EXPENSES</u></b>				
Program services	2,265,420			2,265,420
Management and general	153,020			153,020
Fund raising	<u>325,188</u>			<u>325,188</u>
<b>TOTAL EXPENSES</b>	<u>2,743,628</u>			<u>2,743,628</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ 78,093</b>	<b>\$ 194,791</b>	<b>\$ (30,798)</b>	<b>\$ 242,086</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,041,056</b>	<b>304,204</b>	<b>735,644</b>	<b>5,080,904</b>
<b>RECLASSIFICATIONS:</b>				
Board-directed endowment	(150,000)	-	150,000	-
Dog adoption renovation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,969,149</u></b>	<b><u>\$ 498,995</u></b>	<b><u>\$ 854,846</u></b>	<b><u>\$ 5,322,990</u></b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF ACTIVITY**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b><u>PUBLIC SUPPORT</u></b>				
Contributions and bequests	\$ 693,137	\$ 292,551	\$ 1,518	\$ 987,206
Special events proceeds	303,430	34,300	-	337,730
Less cost of direct benefits to participants	(143,573)	-	-	(143,573)
Thrift store sales	795,774	-	-	795,774
Less store operating costs	(496,115)	-	-	(496,115)
Pet boutique (net)	4,474	-	-	4,474
Total Public Support	<u>1,157,127</u>	<u>326,851</u>	<u>1,518</u>	<u>1,485,496</u>
<b><u>OTHER REVENUES</u></b>				
Program service fees	353,402	-	-	353,402
Governmental contracts	11,791	533,061	-	544,852
Interest and dividends	41,352	-	23,579	64,932
Ground lease	-	-	13,354	13,354
Realized gain (loss) on sales of investments	1,375	-	23,691	25,066
Realized gain (loss) on sales of other assets	-	-	-	-
Unrealized gain (loss) on investments	66,535	-	5,584	72,119
Total Other Revenues	<u>474,455</u>	<u>533,061</u>	<u>66,209</u>	<u>1,073,725</u>
<b><u>NET ASSETS RELEASED FROM RESTRICTIONS</u></b>				
Satisfaction of time and usage restrictions	<u>639,110</u>	<u>(576,967)</u>	<u>(62,143)</u>	<u>-</u>
<b>TOTAL PUBLIC SUPPORT AND OTHER REVENUES</b>	<u>2,270,692</u>	<u>282,945</u>	<u>5,584</u>	<u>2,559,221</u>
<b><u>EXPENSES</u></b>				
Program services	2,106,580			2,106,580
Management and general	154,071			154,071
Fund raising	264,483			264,483
<b>TOTAL EXPENSES</b>	<u>2,525,134</u>			<u>2,525,134</u>
<b>CHANGE IN NET ASSETS</b>	<b>\$ (254,442)</b>	<b>\$ 282,945</b>	<b>\$ 5,584</b>	<b>\$ 34,087</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>4,927,318</b>	<b>19,499</b>	<b>100,000</b>	<b>5,046,817</b>
<b>RECLASSIFICATIONS:</b>				
Board-directed endowment	(630,060)	-	630,060	-
Dog adoption renovation	<u>(1,760)</u>	<u>1,760</u>	<u>-</u>	<u>-</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,041,056</u></b>	<b><u>\$ 304,204</u></b>	<b><u>\$ 735,644</u></b>	<b><u>\$ 5,080,904</u></b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2015**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 1,067,072	\$ 71,966	\$ 112,426	\$ 1,251,464
Payroll costs	119,732	9,907	12,320	141,959
Health and workers' compensation insurances, other benefits	184,162	59,193	10,521	253,876
Total payroll and related expenses	1,370,966	141,066	135,267	1,647,299
Occupancy	140,463	4,321	5,020	149,804
Depreciation	140,704	247	347	141,298
Medical supplies	120,113	-	-	120,113
Veterinary consultations	98,875	-	-	98,875
Animal care and wellness	72,549	-	-	72,549
Mail campaigns	-	-	71,912	71,912
Insurance	50,949	1,840	3,252	56,041
Feed and shelter supplies	53,071	117	-	53,188
Fundraising events - general	-	-	53,428	53,428
Cremations and burials	39,034	-	-	39,034
Publication - Wagging Tales	18,738	-	18,003	36,741
Equipment and computer supplies	31,060	2,876	2,124	36,060
Public relations	26,889	1,058	2,280	30,227
Humane education and memorial garden	25,714	-	504	26,218
Vehicles and other general operating	24,717	-	169	24,886
Planned giving	-	-	24,756	24,756
Investment and bank fees	15,904	-	3,515	19,419
Office supplies, postage, copying, printing	13,792	846	873	15,511
Professional fees	9,432	371	662	10,465
Other personnel	1,850	71	2,520	4,441
Advertising and marketing	3,453	105	243	3,801
Volunteers	3,522	-	-	3,522
Other administrative	2,178	-	55	2,233
Training, conferences, meetings	1,447	102	258	1,807
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b><u>\$ 2,265,420</u></b>	<b><u>\$ 153,020</u></b>	<b><u>\$ 325,188</u></b>	<b><u>\$ 2,743,628</u></b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2014**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund Raising</b>	<b>Total</b>
Salaries and wages	\$ 958,080	\$ 68,227	\$ 87,914	\$ 1,114,221
Payroll costs	108,475	9,592	9,863	127,930
Health and workers' compensation insurances, other benefits	153,873	62,529	10,015	226,417
Total payroll and related expenses	1,220,428	140,348	107,792	1,468,568
Occupancy	143,800	5,346	5,884	155,030
Depreciation	143,070	256	360	143,686
Medical supplies	101,165	-	-	101,165
Veterinary consultations	88,725	-	-	88,725
Mail campaigns	-	-	75,514	75,514
Feed and shelter supplies	59,122	-	-	59,122
Animal care and wellness	53,422	-	-	53,422
Cremations and burials	52,723	-	-	52,723
Insurance	43,892	1,681	2,887	48,459
Vehicles and other general operating	40,309	1,011	167	41,488
Equipment and computer supplies	30,124	1,579	2,324	34,028
Professional fees	32,514	509	807	33,830
Public relations	26,747	1,243	2,713	30,703
Humane education and memorial garden	21,230	7	6,536	27,773
Fundraising events - general	60	-	25,133	25,193
Publication - Wagging Tales	11,378	-	10,931	22,309
Office supplies, postage, copying, printing	11,015	1,551	4,511	17,077
Investment and bank fees	12,526	-	2,979	15,505
Planned giving	182	-	14,776	14,958
Advertising and marketing	4,163	129	200	4,492
Volunteers	4,021	-	-	4,021
Other personnel	2,238	-	800	3,038
Training, conferences, meetings	2,167	411	169	2,747
Other administrative	1,559	-	-	1,559
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 2,106,580</b>	<b>\$ 154,071</b>	<b>\$ 264,483</b>	<b>\$ 2,525,134</b>

*See accompanying notes to financial statements.*

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2015**

SCHEDULE OF CASH FLOWS		RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash flows from operating activities:		Change in net assets	\$ 242,086
Cash received from:		Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Contributions	\$ 1,259,130	Depreciation	150,295
Thrift stores (gross sales)	905,239	Donated securities	(95,470)
Governmental contracts	559,996	Donated assets	-
Program service fees	430,672	Realized (gain) loss from dispositions of investments	(9,832)
Special events (gross receipts)	316,004	Realized (gain) loss from dispositions of other assets	(4,786)
Interest and dividends	60,381	Unrealized (gain) loss on investments	54,365
Ground lease	14,723	(Increase) decrease in operating assets:	
Pet boutique (net sales)	4,374	Contract support receivable	8,600
	<u>3,550,519</u>	Prepaid expenses	377
		Advances on behalf of employees	614
Cash disbursed for:		Accrued interest on investments	1,406
Functional expenses	2,563,824	Deposits	-
Thrift stores (operating expenses)	522,647	Increase (decrease) in operating liabilities:	
Special events (direct costs)	60,548	Accounts payable	26,069
	<u>3,147,019</u>	Deferred revenue	18,269
		Accrued liabilities	11,507
		Net adjustments	161,414
<b>Net cash provided (used) by operating activities</b>	<b>\$ 403,500</b>	<b>Net cash provided (used) by operating activities</b>	<b>\$ 403,500</b>
Cash flows from investing activities:		SUPPLEMENTAL DISCLOSURES	
Proceeds from sales of investments	\$ 262,396	Noncash operating and investing transactions:	
Purchases of investments	(237,928)	Donated securities:	
Proceeds from sales of other assets	6,200	Contributions	\$ 92,618
Expenditures for building and equipment	(117,874)	Special events (gross receipts)	2,852
		Deferred revenue	-
<b>Net cash provided (used) by investing activities</b>	<b>\$ (87,206)</b>	Total donated securities	\$ 95,470
Net increase (decrease) in cash and cash equivalents	\$ 316,294	Auction items for special events	\$ 84,901
Cash and cash equivalents, beginning of year	<u>316,004</u>	Fixed asset donations:	
<b>Cash and cash equivalents, end of year</b>	<b>\$ 632,298</b>	Land (adjustment to donated value)	\$ -

See accompanying notes to financial statements.



**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2014**

SCHEDULE OF CASH FLOWS		RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Cash flows from operating activities:		Change in net assets	\$ 34,087
Cash received from:		Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:	
Contributions	\$ 1,619,498	Depreciation	152,223
Thrift stores (gross sales)	795,774	Donated securities	-
Governmental contracts	543,557	Donated assets	(1,518)
Program service fees	349,474	Realized (gain) loss from dispositions of investments	(25,066)
Special events (gross receipts)	254,638	Realized (gain) loss from dispositions of other assets	-
Interest and dividends	64,932	Unrealized (gain) loss on investments	(76,241)
Ground lease	13,354	(Increase) decrease in operating assets:	
Pet boutique (net sales)	4,315	Contract support receivable	628,437
	<u>3,645,542</u>	Prepaid expenses	6,621
		Advances on behalf of employees	(614)
Cash disbursed for:		Accrued interest on investments	1,593
Functional expenses	2,377,940	Deposits	4,088
Thrift stores (operating expenses)	488,612	Increase (decrease) in operating liabilities:	
Special events (direct costs)	58,247	Accounts payable	(15,774)
	<u>2,924,799</u>	Deferred revenue	4,763
		Accrued liabilities	8,144
		Net adjustments	<u>686,656</u>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 720,743</b>	<b>Net cash provided (used) by operating activities</b>	<b>\$ 720,743</b>
Cash flows from investing activities:		SUPPLEMENTAL DISCLOSURES	
Proceeds from sales of investments	\$ 809,540	Noncash operating and investing transactions:	
Purchases of investments	(1,486,678)	Donated securities:	\$ -
Expenditures for building and equipment	(25,533)	Contributions	-
		Special events (gross receipts)	2,529
<b>Net cash provided (used) by investing activities</b>	<b>\$ (702,671)</b>	Deferred revenue	<u>2,529</u>
		Total donated securities	<u>\$ 2,529</u>
Net increase (decrease) in cash and cash equivalents	\$ 18,072	Auction items for special events	\$ 85,326
Cash and cash equivalents, beginning of year	<u>297,932</u>	Fixed asset donations:	
		Land (adjustment to donated value)	\$ 1,518
<b>Cash and cash equivalents, end of year</b>	<b>\$ 316,004</b>		

See accompanying notes to financial statements.

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
**(A NOT-FOR-PROFIT CORPORATION)**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

**NOTE A – NATURE OF ORGANIZATION**

The Humane Society of the Treasure Coast, Inc. (the "Society") was incorporated in 1955 as an independent, tax exempt, not-for-profit corporation in the State of Florida. The Society's mission is to assure a better life for companion animals by providing shelter, finding loving homes, and promoting respect for their place in our lives. The mission is accomplished by providing progressive adoption programs, aggressive spay and neuter programs, humane education in schools, and through establishing community partnerships. Animals in the Society's care are provided with quality veterinary care, shelter, food, and unconditional love; there is no time limit on the animals' length of stay in the Society's adoption program. The low cost spay and neuter programs serve the community and encourage responsible pet ownership while preventing the heartbreak of pet overpopulation. The humane education and pet therapy programs promote literacy programs in schools and therapy programs in hospitals, senior centers, assisted-care facilities, and community centers. The Society partners with over a dozen local non-profit organizations in providing programs which showcase the joy of relationships with domestic pets and the resulting positive impact on daily life.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statement Presentation

The Society reports in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"), (ASC 958-205, formerly Statement of Financial Accounting Standard ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*). Under this Topic, the Society is required to report information regarding its financial position and activities according to classes of net assets (unrestricted, temporarily restricted, or permanently restricted) based upon the absence or existence of donor-imposed restrictions.

The Society records contributions in accordance with the Not-for-Profit Entities Topic of the FASB Codification, (ASC 958-605, formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*). Under this Topic, contributions received by the Society are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed restriction(s).

The Society also reports its marketable investments in debt and equity securities in accordance with the Not-for-Profit Entities Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or the "Codification"), (ASC 958-320, formerly Statement of Financial Accounting Standard ("SFAS") No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*). Under this Topic, the Society accounts for its investments in equity securities with readily determinable fair values by using the lower of cost or market value of the investments. Unrealized gains and losses are included in the change in net assets.

Net Asset Classifications

1. Unrestricted net assets – Funds and assets under the discretion of the Society's Board of Directors.
2. Temporarily restricted net assets – Funds and assets that have restrictions (generally, use and/or time) imposed by the donors. Once the restrictions are satisfied, the related funds and assets are reclassified as unrestricted.
3. Permanently restricted net assets – Funds and assets that have donor-imposed restrictions, but the restrictions are of perpetual duration; the Society does not have the right to invade the related funds and assets.

**HUMANE SOCIETY OF THE TREASURE COAST, INC.**  
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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates, and the differences may be material.

Cash and Cash Equivalents

The Society considers all short-term investments with an original maturity of three months or less to be cash equivalents; however, short-term investments held in a brokerage account with marketable securities are considered to be a component of marketable securities.

Promises-to-Give

Unconditional promises-to-give are recognized as revenue in the period notification of the promise is received, with a corresponding recognition of an asset, decrease of a liability, or expense, depending on the form of the benefits promised. Promises-to-give which are scheduled to be received more than a year after the notification is received are recorded at the current fair value of the gift. Allowances for uncollectible promises-to-give are accrued when full realization is doubtful.

Bequests Receivable

From time to time, the Society is notified that it is a named beneficiary of an estate. When the bequest is for a specific amount, contribution revenue is recorded upon receipt of such notification. However, when the Society is a residual beneficiary and the amount is undeterminable until the estate administration has been or nearly is finalized, no contribution revenue is recorded until the amount to be received becomes certain.

Investments

Investments are reported at current market value, if readily determinable, or at cost, if no current market exists. Marketable securities received as donations are initially recorded at their fair market value as of the date of donation. Unrealized gains and losses are reported as unrestricted revenue.

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents approximate fair value because of the short maturity terms of those financial instruments. The fair value of investments has been determined through quoted market values for each underlying asset.

Land, Buildings, and Equipment

Land and land improvements, buildings, equipment, and leasehold improvements are reported at original cost, if purchased, or at fair market value as of the date received, if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, principally 40 years for buildings and 3 to 10 years for equipment.

Donated Materials and Services

Donated materials are recorded at their estimated fair values as of the date they are received. In accordance with the Not-for-Profit Entities Topic of the FASB Codification, (ASC 958-605, formerly SFAS No. 116), donated services generally are not recorded in the financial records, except for those services which create or enhance the Society's nonfinancial assets; or those services that require specialized skills. Nonetheless, the Society's volunteers contribute a substantial number of hours and provide significant assistance to fund raising events and program services; the value of these donated materials and services is not recorded in the financial records.

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**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Functional Expenses

Costs to provide program services and supporting services have been summarized on a functional basis in the consolidated statements of activities. Allocations among the functional classifications were performed based on an analysis of personnel time expended for the related activities.

Income Taxes

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). Also, the Society is classified as an entity that is not a private foundation within the meaning of IRC Section 509(a)(3); consequently, contributions to the Society are deductible as provided in IRC Section 170(b)(1)(A)(vi).

**NOTE C – INVESTMENTS**

The respective cost and market values of investments held at September 30, 2015 and 2014 were as follows:

	2015		2014	
	Cost	Market	Cost	Market
<u>Unrestricted</u>				
U.S. Treasury inflation notes and Federal agency bonds and notes, maturing within fifteen years, bearing variable interest rates	\$ 419,750	\$ 419,880	\$ 419,750	\$ 403,420
Corporate bonds, maturing within twenty-five years, bearing variable interest rates	417,928	305,514	502,605	391,271
Common stocks, publicly-traded corporations	296,326	308,510	287,164	342,589
Mutual funds, publicly-traded funds	60,015	56,846	19,620	18,344
Preferred stock, publicly-traded corporation	12,835	13,460	12,835	13,365
Accrued interest receivable	4,943	4,943	6,349	6,349
<b>Sub totals - Unrestricted</b>	<b>\$ 1,211,797</b>	<b>\$ 1,109,153</b>	<b>\$ 1,248,323</b>	<b>\$ 1,175,338</b>
<u>Restricted, Board-Designated</u>				
Mutual funds, publicly-traded funds	\$ 855,324	\$ 753,135	\$ 705,324	\$ 660,382
<u>Restricted, Endowment Funds</u>				
Mutual funds, publicly-traded funds	96,434	97,126	96,434	96,434
<b>Sub totals - Restricted</b>	<b>\$ 951,758</b>	<b>\$ 850,261</b>	<b>\$ 801,758</b>	<b>\$ 759,013</b>
<b>Totals</b>	<b>\$ 2,163,555</b>	<b>\$ 1,959,414</b>	<b>\$ 2,050,081</b>	<b>\$ 1,934,351</b>

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**NOTE D – LAND, IMPROVEMENTS, AND EQUIPMENT**

Components of fixed assets as of September 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Building – New shelter building	\$ 3,419,384	\$ 3,419,384
Equipment and furnishings	506,815	427,459
Building – Towl Educational Facility	489,658	489,658
Memorial garden	103,893	103,893
Crematory	77,894	77,894
Thrift store – Jensen Beach	57,973	57,973
Surgery center	54,777	54,077
Software	47,922	47,922
Adoption renovation	19,667	3,000
Thrift store – Stuart	11,366	22,027
Total fixed assets	4,789,349	4,703,287
Less accumulated depreciation	<u>(2,323,249)</u>	<u>(2,203,352)</u>
	2,466,100	2,499,935
Land	<u>167,989</u>	<u>167,989</u>
<b>Totals</b>	<b><u>\$ 2,634,089</u></b>	<b><u>\$ 2,667,924</u></b>

**NOTE E – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Dog adoption renovation	\$ 425,848	\$ 222,415
Save Our Seniors	36,635	-
Memorial garden	15,960	14,289
Medical emergencies	9,404	-
Special projects	8,014	-
Pet therapy	3,134	-
Spay and neuter program	-	60,000
United Way grant	<u>-</u>	<u>7,500</u>
<b>Totals</b>	<b><u>\$ 498,995</u></b>	<b><u>\$ 304,204</u></b>

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**NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS**

Net assets during the years ended September 30, 2015 and 2014 were released from donor restrictions by the incurring of expenses which satisfied the restrictions or by the occurrence of other events specified by the donors:

	<u>2015</u>	<u>2014</u>
<u>Temporarily Restricted</u>		
Martin County contract	\$ 545,387	\$ 533,061
Special projects	101,995	-
Spay and neuter program	90,192	9,001
Medical emergencies	20,446	-
Dog adoption renovation	19,667	-
Save Our Seniors	13,365	-
United Way grant	7,500	10,000
Paws to Read program	4,000	4,000
Pet therapy	1,866	-
Humane education programs	1,353	8,179
Memorial garden	504	6,536
North thrift store	-	3,500
Medical procedures	-	2,690
	<u>\$ 806,275</u>	<u>\$ 576,967</u>
<u>Permanently Restricted</u>		
Shelter, adoption and foster services	2,348	1,351
 <u>Board Restricted</u>		
Shelter operations	<u>33,599</u>	<u>60,792</u>
 <b>Totals</b>	 <b><u>\$ 842,222</u></b>	 <b><u>\$ 639,110</u></b>

**NOTE G – ENDOWMENT FUNDS**

Components of permanently restricted net assets as of September 30, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
<u>Endowment Fund (see Item 1 below)</u>		
Cash and cash equivalents	\$ 2,130	\$ 3,566
Mutual funds	97,125	98,631
Sub total	<u>\$ 99,255</u>	<u>\$ 102,197</u>
 <u>Board-Designated Fund (see Items 2 and 3 below)</u>		
Cash and cash equivalents	\$ 2,455	\$ 29,555
Mutual funds	753,136	603,892
Sub total	<u>\$ 755,591</u>	<u>\$ 633,447</u>
 <b>Totals</b>	 <b><u>\$ 854,846</u></b>	 <b><u>\$ 735,644</u></b>

- 1) In August 2013, a group of donors made a gift of \$100,000 to the Society to establish an endowment fund for providing shelter, adoption and foster services, wellness services, and veterinary care for older and other shelter dogs. The terms of the gift require annual disbursements to the Society in the amount of the lesser of 1) actual investment income, including realized and unrealized appreciation; or 2) 5% of the endowment asset value as of the end of the year. These financial statements do not recognize any provision for future gifts, because all future gifts are at the donors' discretion.

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**NOTE G – ENDOWMENT FUNDS (continued)**

- 2) In August 2013, the Society received notification that it was named as a Successor Trustee of a charitable remainder trust. Also, the Society received notice that it received a 50% interest in a parcel of commercial real estate in Miami, Florida. This parcel, along with an adjacent parcel, is subject to a ground lease with a tenant, with a lease termination date of March 30, 2067. In addition, the Society received a 25% interest in the net rents generated under the ground lease.

In October 2013, the charitable remainder trust disbursed to the Society the portion of the bequest comprised of cash and marketable securities. The Board of Directors later decided to segregate the cash and marketable securities as an endowment-type fund. These funds will be reported in the accompanying financial statements as board-directed permanently restricted net assets. However, the permanence of the funds is not considered the same as if they had been permanently restricted by a donor. Since the separate endowment fund was established by a Board decision, it could also be undone by a future Board decision.

- 3) In October 2014, the Society received a donation of \$150,000 from an estate. The Board of Directors decided to segregate the cash and marketable securities as an endowment-type fund. These funds will be reported in the accompanying financial statements as board-directed permanently restricted net assets. However, the permanence of the funds is not considered the same as if they had been permanently restricted by a donor. Since the separate endowment fund was established by a Board decision, it could also be undone by a future Board decision.

**NOTE H – SPECIAL EVENTS**

The respective proceeds and costs from special events held during the years ended September 30, 2015 and 2014 were as follows:

	2015			2014		
	Gross Proceeds	Costs	Net Proceeds	Gross Proceeds	Costs	Net Proceeds
<u>Unrestricted</u>						
Paws & Claws	\$ 320,962	\$ 167,024	\$ 153,938	\$ 239,808	\$ 149,931	\$ 89,877
Mutt March	30,578	15,224	15,354	35,949	16,297	19,652
Mutt Derby	10,527	-	10,527	13,570	-	13,570
Bunfest	8,600	3,726	4,874	7,520	1,224	6,296
Tesoro Tennis	-	-	-	3,060	-	3,060
Other events	<u>9,821</u>	<u>10,853</u>	<u>(1,032)</u>	<u>3,523</u>	<u>1,314</u>	<u>2,209</u>
	380,488	196,827	183,661	303,430	168,766	134,664
<u>Restricted</u>						
Paws & Claws	\$ 10,000	\$ -	\$ 10,000	\$ 34,300	\$ -	\$ 34,300
Total	<u>\$ 390,488</u>	<u>\$ 196,827</u>	<u>\$ 193,661</u>	<u>\$ 337,730</u>	<u>\$ 168,766</u>	<u>\$ 167,964</u>

Gross proceeds and costs for the Paws & Claws event includes the value of auction items donated, \$84,901 and \$85,326, respectively. Some of the costs related to the special events disclosed above are classified as functional expenses; as such, those costs are not included in the total "cost of direct benefits to participants" reported in the Statements of Activity.

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**NOTE I – THRIFT STORES**

The Society operates two thrift stores off-premises in leased commercial storefronts in Stuart, Florida ("Central") and ("North"). The thrift stores receive donations of new and used clothing and other property, which they resell to customers. Operations for the years ended September 30, 2015 and 2014 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<b>2015</b>			
Gross sales	\$ 580,096	\$ 325,143	\$ 905,239
Operating costs:			
Personnel	144,445	133,295	277,740
Occupancy	108,587	99,770	208,357
General operating	6,863	6,300	13,163
Administrative	11,024	6,823	17,847
Public relations	2,599	2,557	5,156
Advertising	196	414	610
Volunteer expense	-	-	-
	<u>273,714</u>	<u>249,159</u>	<u>522,873</u>
Depreciation	<u>1,795</u>	<u>7,202</u>	<u>8,997</u>
	<u>275,509</u>	<u>256,361</u>	<u>531,870</u>
<b>Net revenue</b>	<b><u>\$ 304,587</u></b>	<b><u>\$ 68,782</u></b>	<b><u>\$ 373,369</u></b>
<b>2014</b>			
Gross sales	\$ 516,761	\$ 279,012	\$ 795,774
Operating costs:			
Personnel	145,387	101,489	246,877
Occupancy	94,802	88,001	182,803
General operating	21,582	14,430	36,012
Administrative	8,820	5,812	14,632
Public relations	2,564	2,070	4,634
Advertising	906	848	1,754
Volunteer expense	319	547	866
	<u>274,380</u>	<u>213,197</u>	<u>487,578</u>
Depreciation	<u>1,435</u>	<u>7,102</u>	<u>8,537</u>
	<u>275,815</u>	<u>220,299</u>	<u>496,115</u>
<b>Net revenue</b>	<b><u>\$ 240,946</u></b>	<b><u>\$ 58,713</u></b>	<b><u>\$ 299,659</u></b>

Thrift store costs were allocated 90% and 10% between program services and fund raising activities for both locations, respectively, for the years ended September 30, 2015 and 2014.



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**NOTE J – COMMITMENTS AND CONTINGENCIES**

The Society leases commercial space for its two thrift stores.

The lease for the Central thrift store location was renewed effective July 1, 2015, with a term expiring June 30, 2020. This lease requires the Society to pay a base minimum rent plus a proportionate share of common area water and sewer charges; trash removal and electricity are the responsibility of the Society. Thrift store rent and common area charges for the years ended September 30, 2015 and 2014 were \$79,325 and \$79,573, respectively.

The current lease for the North thrift store location expires on February 28, 2017, with an option for a renewal term of an additional five years. The lease requires the Society to pay a base minimum rent plus a proportionate share of common area water and sewer charges; trash removal and electricity are the responsibility of the Society. Thrift store rent and common area charges for the years ended September 30, 2015 and 2014 were \$81,646 and \$78,692, respectively.

Future base minimum rent payments for each thrift store location under the current leases are as follows:

<u>Period Ended September 30</u>	<u>Central</u>	<u>North</u>
2016	\$ 79,068	\$ 84,095
2017	79,068	86,618
2018	79,068	89,217
2019	79,068	89,217
2020	79,068	89,217
2021 and beyond	<u>79,068</u>	<u>89,217</u>
<b>Total</b>	<b><u>\$ 474,408</u></b>	<b><u>\$ 527,581</u></b>

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**NOTE K – GOVERNMENTAL CONTRACT**

The Society contracts with Martin County, Florida (the "Contracts") to fulfill certain public health responsibilities regarding the impoundment of stray animals. The terms of the Contracts for the years ended September 30, 2015 and 2014 called for Martin County to provide \$545,387 and \$533,061, respectively, per year, toward the animal shelter's annual operating expenses pertaining to basic care of the animals and of the facility. Impoundment and license fees, which are established by Martin County, are collected at the animal shelter and are remitted to Martin County; these fees are not recorded as revenue by the Society.

The following table shows selected expenses (pertinent to the Contracts) from animal sheltering operations; program expenses related to adoption and humane education are not included in the table. Terms of the Contracts call for payment based on fixed annual amounts rather than on percentages of costs or on units of service provided. The columns labeled "County Contract Allocation" represent the application, for illustrative purposes only, of the funds provided by Martin County for the years ended September 30, 2015 and 2014.

	2015		2014	
	Animal Shelter Operations	County Contract Allocation	Animal Shelter Operations	County Contract Allocation
Salaries and wages	\$ 867,658	\$ 284,614	\$ 787,031	\$ 275,988
Payroll taxes	95,688	31,388	87,424	30,657
Health & workers' compensation insurance, other benefits	<u>165,098</u>	<u>54,157</u>	<u>135,463</u>	<u>47,503</u>
Total payroll and related expenses	1,128,444	370,159	1,009,918	354,148
Occupancy	130,307	42,745	132,358	46,414
Veterinary fees	120,113	39,400	101,568	35,617
Medical supplies	119,321	39,140	101,165	35,476
Feed and shelter supplies	53,071	17,409	59,122	20,732
Cremation and burial fees	39,034	12,804	52,723	18,488
Other animal shelter expenses	29,633	9,720	23,015	8,071
Equipment and computer costs	26,909	8,827	27,324	9,582
Office supplies	12,622	4,140	9,034	3,168
Advertising	<u>3,181</u>	<u>1,043</u>	<u>3,894</u>	<u>1,365</u>
<b>Totals</b>	<b><u>\$ 1,662,635</u></b>	<b><u>\$ 545,387</u></b>	<b><u>\$ 1,520,121</u></b>	<b><u>\$ 533,061</u></b>
<b>Percentage of costs covered</b>		<b><u>33%</u></b>		<b><u>35%</u></b>

**NOTE L – SUBSEQUENT EVENTS**

Management has evaluated all activities of the Society through February 3, 2016 and concluded that no other subsequent events have occurred which would require recognition or disclosure in these financial statements.