

**THE HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)**

AUDITED FINANCIAL STATEMENTS

SEPTEMBER 30, 2016 AND 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Koplas & Company, CPA, P.A.
Palm City, Florida
April 20, 2017

HUMANE SOCIETY OF THE TREASURE COAST, INC.
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>ASSETS</u>				
Current Assets				
Cash and cash equivalents	\$ 27,594	\$ 515,124	\$ 62,689	\$ 605,407
Contract support receivable (net)	3,645	-	-	3,645
Prepaid expenses	9,025	11,742	-	20,767
Accrued interfund transfers	74,953	-	-	74,953
Investments, at market	731,434	-	923,706	1,655,140
Total Current Assets	<u>846,651</u>	<u>526,866</u>	<u>986,395</u>	<u>2,359,912</u>
Other Assets				
Land, buildings, and equipment (net)	2,462,831	56,743	-	2,519,574
Land held for investment	189,720	-	-	189,720
Deposits	14,872	200	-	15,072
Total Other Assets	<u>2,667,423</u>	<u>56,943</u>	<u>-</u>	<u>2,724,366</u>
TOTAL ASSETS	<u>\$ 3,514,074</u>	<u>\$ 583,809</u>	<u>\$ 986,395</u>	<u>\$ 5,084,278</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 99,378	\$ -	\$ -	\$ 99,378
Deferred revenue	-	52,562	-	52,562
Accrued liabilities	18,074	-	-	18,074
Accrued interfund transfers	-	-	74,953	74,953
Total Current Liabilities	<u>117,452</u>	<u>52,562</u>	<u>74,953</u>	<u>244,967</u>
Total Liabilities	<u>117,452</u>	<u>52,562</u>	<u>74,953</u>	<u>244,967</u>
 <u>NET ASSETS</u>				
Unrestricted	3,396,622	-	-	3,396,622
Temporarily restricted	-	531,247	-	531,247
Permanently restricted	-	-	911,442	911,442
Total Net Assets	<u>3,396,622</u>	<u>531,247</u>	<u>911,442</u>	<u>4,839,311</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,514,074</u>	<u>\$ 583,809</u>	<u>\$ 986,395</u>	<u>\$ 5,084,278</u>

See accompanying notes to financial statements.

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>
<u>ASSETS</u>				
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
Accrued interfund transfers	-	-	-	-
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>
TOTAL ASSETS	<u>\$ 4,069,530</u>	<u>\$ 532,254</u>	<u>\$ 854,846</u>	<u>\$ 5,456,630</u>
 <u>LIABILITIES AND NET ASSETS</u>				
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	\$ 60,817	\$ -	\$ -	\$ 60,817
Deferred revenue	-	33,259	-	33,259
Accrued liabilities	39,564	-	-	39,564
Accrued interfund transfers	-	-	-	-
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>
 <u>NET ASSETS</u>				
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>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,069,530</u>	<u>\$ 532,255</u>	<u>\$ 854,846</u>	<u>\$ 5,456,630</u>

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<u>PUBLIC SUPPORT</u>				
Contributions and bequests	\$ 629,470	\$ 40,741	\$ -	\$ 670,211
Special events proceeds	314,717	80,173	-	394,890
Less cost of direct benefits to participants	(155,973)	-	-	(155,973)
Thrift store sales	903,057	-	-	903,057
Less store operating costs	(509,050)	-	-	(509,050)
Pet boutique (net)	2,518	-	-	2,518
Total Public Support	<u>1,184,739</u>	<u>120,914</u>	<u>-</u>	<u>1,305,653</u>
<u>OTHER REVENUES</u>				
Program service fees	355,679	-	-	355,679
Governmental contracts	10,672	560,047	-	570,719
Interest and dividends	37,531	-	22,559	60,090
Ground lease	-	-	13,354	13,354
Realized gain (loss) on sales of investments	44,039	-	(2,856)	41,183
Realized gain (loss) on sales of other assets	2,650	-	-	2,650
Unrealized gain (loss) on investments	40,091	-	56,596	96,687
Total Other Revenues	<u>490,662</u>	<u>560,047</u>	<u>89,653</u>	<u>1,140,362</u>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	<u>681,766</u>	<u>(648,709)</u>	<u>(33,057)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>2,357,167</u>	<u>32,252</u>	<u>56,596</u>	<u>2,446,015</u>
<u>EXPENSES</u>				
Program services	2,454,980			2,454,980
Management and general	149,694			149,694
Fund raising	325,020			325,020
TOTAL EXPENSES	<u>2,929,694</u>			<u>2,929,694</u>
CHANGE IN NET ASSETS	\$ (572,527)	\$ 32,252	\$ 56,596	\$ (483,679)
NET ASSETS AT BEGINNING OF YEAR	3,969,149	498,995	854,846	5,322,990
RECLASSIFICATIONS:				
Board-directed endowment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,396,622</u>	<u>\$ 531,247</u>	<u>\$ 911,442</u>	<u>\$ 4,839,311</u>

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>
<u>PUBLIC SUPPORT</u>				
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>
<u>OTHER REVENUES</u>				
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>
<u>NET ASSETS RELEASED FROM RESTRICTIONS</u>				
Satisfaction of time and usage restrictions	<u>842,223</u>	<u>(806,275)</u>	<u>(35,947)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND OTHER REVENUES	<u>2,821,721</u>	<u>194,791</u>	<u>(30,798)</u>	<u>2,985,714</u>
<u>EXPENSES</u>				
Program services	2,265,420			2,265,420
Management and general	153,020			153,020
Fund raising	325,188			325,188
TOTAL EXPENSES	<u>2,743,628</u>			<u>2,743,628</u>
CHANGE IN NET ASSETS	\$ 78,093	\$ 194,791	\$ (30,798)	\$ 242,086
NET ASSETS AT BEGINNING OF YEAR	4,041,056	304,204	735,644	5,080,904
RECLASSIFICATIONS:				
Board-directed endowment	(150,000)	-	150,000	-
NET ASSETS AT END OF YEAR	<u>\$ 3,969,149</u>	<u>\$ 498,995</u>	<u>\$ 854,846</u>	<u>\$ 5,322,990</u>

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, 2016

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 1,166,716	\$ 73,970	\$ 117,833	\$ 1,358,519
Payroll costs	130,904	10,558	12,869	154,331
Health and workers' compensation insurances, other benefits	<u>161,936</u>	<u>56,338</u>	<u>7,263</u>	<u>225,537</u>
Total payroll and related expenses	1,459,556	140,866	137,965	1,738,387
Occupancy	169,080	3,309	5,747	178,136
Depreciation	145,108	263	370	145,741
Medical supplies	139,907	-	-	139,907
Veterinary consultations	85,950	-	-	85,950
Animal care and wellness	80,943	-	-	80,943
Mail campaigns	-	-	77,037	77,037
Legal matter - shelter practices	58,325	-	-	58,325
Feed and shelter supplies	57,760	-	-	57,760
Equipment and computer supplies	39,709	955	9,742	50,406
Insurance	44,643	1,595	2,812	49,050
Fundraising events - general	-	-	44,984	44,984
Cremations and burials	39,892	-	-	39,892
Public relations	27,178	443	2,243	29,864
Publication - Wagging Tales	13,181	-	12,664	25,845
Humane education and memorial garden	24,118	-	904	25,022
Investment and bank fees	15,732	-	5,038	20,770
Planned giving	-	-	20,528	20,528
Office supplies, postage, copying, printing	14,577	607	1,231	16,415
Advertising and marketing	13,225	342	825	14,392
Professional fees	10,538	1,234	651	12,423
Volunteers	5,721	-	-	5,721
Vehicles and other general operating	5,370	-	310	5,680
Other personnel	2,276	10	1,889	4,175
Training, conferences, meetings	1,082	60	63	1,205
Other administrative	<u>1,109</u>	<u>10</u>	<u>17</u>	<u>1,136</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,454,980</u>	<u>\$ 149,694</u>	<u>\$ 325,020</u>	<u>\$ 2,929,694</u>

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	<u>184,162</u>	<u>59,193</u>	<u>10,521</u>	<u>253,876</u>
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
Fundraising events - general	-	-	53,428	53,428
Feed and shelter supplies	53,071	117	-	53,188
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
Legal matter - shelter practices	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 2,265,420</u>	<u>\$ 153,020</u>	<u>\$ 325,188</u>	<u>\$ 2,743,628</u>

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, 2016

SCHEDULE OF CASH FLOWS	
Cash flows from operating activities: Cash received from: Contributions Thrift stores (gross sales) Governmental contracts Program service fees Special events (gross receipts) Interest and dividends Ground lease Pet boutique (net sales)	\$ 671,896 903,057 570,256 363,750 321,653 60,884 13,354 <u>2,518</u> <u>2,907,368</u>
Cash disbursed for: Functional expenses Thrift stores (operating expenses) Special events (direct costs)	2,771,900 500,044 66,669 <u>3,338,613</u>
Net cash provided (used) by operating activities	\$ (431,245)
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Change in net assets Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: Depreciation Donated securities Donated assets Realized (gain) loss from dispositions of investments Realized (gain) loss from dispositions of other assets Unrealized (gain) loss on investments (Increase) decrease in operating assets: Contract support receivable Prepaid expenses Advances on behalf of employees Accrued interest on investments Deposits Increase (decrease) in operating liabilities: Accounts payable Deferred revenue Accrued liabilities Net adjustments	\$ (483,679) 154,747 (586) - (41,183) (2,650) (96,687) 6,643 (4,968) - 794 (50) 38,561 19,303 (21,490) <u>52,434</u>
Net cash provided (used) by operating activities	\$ (431,245)
SUPPLEMENTAL DISCLOSURES	
Cash flows from investing activities: Proceeds from sales of investments Purchases of investments Proceeds from sales of other assets Expenditures for building and equipment	\$ 885,977 (444,041) 2,650 (40,232) <u>\$ 404,354</u>
Net cash provided (used) by investing activities	\$ 404,354
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year	\$ (26,891) <u>632,298</u>
Cash and cash equivalents, end of year	\$ 89,304
Noncash operating and investing transactions: Donated securities: Contributions Special events (gross receipts) Deferred revenue Total donated securities Auction items for special events	\$ - 586 - <u>586</u> \$ 89,304

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: Cash received from: Contributions Thrift stores (gross sales) Governmental contracts Program service fees Special events (gross receipts) Interest and dividends Ground lease Pet boutique (net sales) Cash disbursed for: Functional expenses Thrift stores (operating expenses) Special events (direct costs)	Change in net assets Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: Depreciation Donated securities Donated assets Realized (gain) loss from dispositions of investments Realized (gain) loss from dispositions of other assets Unrealized (gain) loss on investments (Increase) decrease in operating assets: Contract support receivable Prepaid expenses Advances on behalf of employees Accrued interest on investments Deposits Increase (decrease) in operating liabilities: Accounts payable Deferred revenue Accrued liabilities Net adjustments
Net cash provided (used) by operating activities	\$ 403,500
Cash flows from investing activities: Proceeds from sales of investments Purchases of investments Proceeds from sales of other assets Expenditures for building and equipment Net cash provided (used) by investing activities	SUPPLEMENTAL DISCLOSURES Noncash operating and investing transactions: Donated securities: Contributions Special events (gross receipts) Deferred revenue Total donated securities Auction items for special events
Net increase (decrease) in cash and cash equivalents Cash and cash equivalents, beginning of year	\$ 92,618 2,852 \$ 95,470 \$ 84,901
Cash and cash equivalents, end of year	\$ 632,298

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, 2016 AND 2015

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.
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015

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, 2016 and 2015 were as follows:

	2016		2015	
	Cost	Market	Cost	Market
<u>Unrestricted</u>				
Corporate bonds, maturing within twenty-five years, bearing variable interest rates	\$ 418,532	\$ 440,773	\$ 417,928	\$ 305,514
Common stocks, publicly-traded corporations	182,517	211,263	296,326	308,510
Mutual funds, publicly-traded funds	59,570	60,769	60,015	56,846
Preferred stock, publicly-traded corporation	12,835	14,480	12,835	13,460
U.S. Treasury inflation notes and Federal agency bonds and notes, maturing within fifteen years, bearing variable interest rates	-	-	419,750	419,880
Accrued interest receivable	4,149	4,149	4,943	4,943
Sub totals - Unrestricted	\$ 677,603	\$ 731,434	\$ 1,211,797	\$ 1,109,153
<u>Restricted, Board-Designated</u>				
Mutual funds, publicly-traded funds	\$ 762,595	\$ 818,947	\$ 855,324	\$ 753,135
<u>Restricted, Endowment Funds</u>				
Mutual funds, publicly-traded funds	96,973	104,759	96,434	97,126
Sub totals - Restricted	\$ 859,568	\$ 923,706	\$ 951,758	\$ 850,261
Totals	\$ 1,537,171	\$ 1,655,140	\$ 2,163,555	\$ 1,959,414

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NOTE D – LAND, IMPROVEMENTS, AND EQUIPMENT

Components of fixed assets as of September 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Building – New shelter building	\$ 3,419,385	\$ 3,419,385
Equipment and furnishings	507,815	506,815
Building – Towl Educational Facility	489,658	489,658
Memorial garden	103,893	103,893
Crematory	77,894	77,894
Thrift store – Jensen Beach	57,972	57,972
Surgery center	56,932	54,077
Software	47,922	47,922
Thrift store – Stuart	<u>11,366</u>	<u>11,366</u>
Total fixed assets	4,772,837	4,769,682
Less accumulated depreciation	<u>(2,477,996)</u>	<u>(2,323,249)</u>
	2,294,841	2,446,433
Adoption renovation (project in-process)	56,743	19,667
Land	<u>167,989</u>	<u>167,989</u>
Totals	<u>\$ 2,519,573</u>	<u>\$ 2,634,089</u>

NOTE E – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Dog adoption renovation	\$ 478,946	\$ 425,848
Save Our Seniors	23,555	36,635
Medical emergencies	17,907	9,404
Special projects	8,005	8,014
Pet therapy	2,834	3,134
Memorial garden	<u>-</u>	<u>15,960</u>
Totals	<u>\$ 531,247</u>	<u>\$ 498,995</u>

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NOTE F – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets during the years ended September 30, 2016 and 2015 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>2016</u>	<u>2015</u>
<u>Temporarily Restricted</u>		
Martin County contract	\$ 560,047	\$ 545,387
Special projects	9	101,995
Spay and neuter program	7,698	90,192
Medical emergencies	7,679	20,446
Dog adoption renovation	37,076	19,667
Save Our Seniors	13,080	13,365
Pet therapy	300	1,866
Humane education programs	3,598	1,353
Memorial garden	19,222	504
United Way grant	-	7,500
Paws to Read program	-	4,000
	<u>\$ 648,709</u>	<u>\$ 806,275</u>
<u>Permanently Restricted</u>		
Shelter, adoption and foster services	2,455	2,348
<u>Board Restricted</u>		
Shelter operations	<u>30,603</u>	<u>33,599</u>
Totals	<u>\$ 681,767</u>	<u>\$ 842,222</u>

NOTE G – ENDOWMENT FUNDS

Components of permanently restricted net assets as of September 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
<u>Endowment Fund (see Item 1 below)</u>		
Cash and cash equivalents	\$ 7,135	\$ 2,130
Mutual funds	<u>104,759</u>	<u>97,125</u>
Sub total	<u>\$ 111,894</u>	<u>\$ 99,255</u>
<u>Board-Designated Funds (see Items 2 and 3 below)</u>		
Cash and cash equivalents	\$ 55,554	\$ 2,455
Mutual funds	<u>818,947</u>	<u>753,136</u>
Sub total	<u>\$ 874,501</u>	<u>\$ 755,591</u>
Accrued transfers to unrestricted net assets due to satisfaction of time and usage restrictions	<u>\$ (74,953)</u>	<u>\$ -</u>
Totals	<u>\$ 911,442</u>	<u>\$ 854,846</u>

- 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 gains; 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, 2016 and 2015 were as follows:

	2016			2015		
	Gross Proceeds	Costs	Net Proceeds	Gross Proceeds	Costs	Net Proceeds
Unrestricted						
Paws & Claws	\$ 245,490	\$ 174,647	\$ 70,843	\$ 320,962	\$ 167,024	\$ 153,938
Mutt March	38,425	16,306	22,119	30,578	15,224	15,354
Bunfest	12,046	5,676	6,370	8,600	3,726	4,874
Run Fur Fun (Mutt Derby)	2,658	99	2,559	10,527	-	10,527
Other events	<u>16,098</u>	<u>4,229</u>	<u>11,869</u>	<u>9,821</u>	<u>10,853</u>	<u>(1,032)</u>
	314,717	200,957	113,760	380,488	196,827	183,661
Restricted						
Paws & Claws	\$ 80,173	\$ -	\$ 80,173	\$ 10,000	\$ -	\$ 10,000
Total	<u>\$ 394,890</u>	<u>\$ 200,957</u>	<u>\$ 193,933</u>	<u>\$ 390,488</u>	<u>\$ 196,827</u>	<u>\$ 193,661</u>

Gross proceeds and costs for the Paws & Claws event includes the value of auction items donated, \$89,304 and \$84,901, respectively. Some of the costs related to the special events disclosed above did not result in a direct benefit to the participants and are classified as functional expenses; as such, those costs are included in the Statements of Functional Expenses instead of 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, 2016 and 2015 were as follows:

	<u>Central</u>	<u>North</u>	<u>Total</u>
<u>2016</u>			
Gross sales	\$ 561,806	\$ 341,251	\$ 903,057
Operating costs:			
Personnel	137,764	120,325	258,089
Occupancy	107,985	98,697	206,682
Administrative	10,602	7,451	18,053
General operating	5,729	5,160	10,889
Public relations	2,551	2,235	4,786
Advertising	819	726	1,545
	<u>265,450</u>	<u>234,594</u>	<u>500,044</u>
Depreciation	<u>1,804</u>	<u>7,202</u>	<u>9,006</u>
	<u>267,254</u>	<u>241,796</u>	<u>509,050</u>
Net revenue	<u>\$ 294,552</u>	<u>\$ 99,455</u>	<u>\$ 394,007</u>
<u>2015</u>			
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
	<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>
Net revenue	<u>\$ 304,587</u>	<u>\$ 68,782</u>	<u>\$ 373,369</u>

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, 2016 and 2015.

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NOTE J – COMMITMENTS AND CONTINGENCIES

Legal Matter

In 2016, the Martin County (Florida) Sheriff’s Department (“MCSD”), at the request of the Martin County (Florida) Board of County Commissioners, commenced an investigation related to the clinical operating practices of the shelter; most specifically, adherence to regulatory guidance when performing euthanasia procedures. The outcome of the thorough investigation found no evidence of misconduct by the Society or any of its employees. MCSD has closed the case and the Society’s management expects no material adverse effect on the Society’s future financial position or changes in net assets.

While cooperating with and providing its public response to the MCSD investigation, the Society incurred one-time costs of \$58,325, consisting primarily of legal and consulting fees, which is reported in the Statement of Functional Expenses.

Thrift Store Leases

The Society leases commercial space for its two thrift stores.

The lease for the Central thrift store location was renewed effective July 1, 2015 and 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, 2016 and 2015 were \$79,325 and \$79,325, 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 Society intends to execute its option to renew this lease. 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, 2016 and 2015 were \$84,304 and \$81,646, 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>
2017	\$ 79,068	\$ 86,618
2018	79,068	89,217
2019	79,068	89,217
2020	79,068	89,217
2021	79,068	89,217
2022 and beyond	<u>79,068</u>	<u>89,217</u>
Total	<u>\$ 474,408</u>	<u>\$ 532,703</u>

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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, 2016 and 2015 called for Martin County to provide \$560,047 and \$545,387, 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, 2016 and 2015.

	2016		2015	
	Animal Shelter Operations	County Contract Allocation	Animal Shelter Operations	County Contract Allocation
Salaries and wages	\$ 989,186	\$ 300,252	\$ 867,658	\$ 284,614
Payroll taxes	108,581	32,958	95,688	31,388
Health & workers' compensation insurance, other benefits	<u>146,018</u>	<u>44,322</u>	<u>165,098</u>	<u>54,157</u>
Total payroll and related expenses	1,243,785	377,532	1,128,444	370,159
Occupancy	156,674	47,556	130,307	42,745
Medical supplies	139,907	42,467	119,321	39,140
Veterinary fees	119,215	36,186	120,113	39,400
Feed and shelter supplies	57,760	17,532	53,071	17,409
Cremation and burial fees	39,892	12,109	39,034	12,804
Equipment and computer costs	35,553	10,791	26,909	8,827
Other animal shelter expenses	26,999	8,195	29,633	9,720
Office supplies	13,311	4,040	12,622	4,140
Advertising	<u>11,989</u>	<u>3,639</u>	<u>3,181</u>	<u>1,043</u>
Totals	<u>\$ 1,845,085</u>	<u>\$ 560,047</u>	<u>\$ 1,662,635</u>	<u>\$ 545,387</u>
Percentage of costs covered		<u>30%</u>		<u>33%</u>

NOTE L – SUBSEQUENT EVENTS

Management has evaluated all activities of the Society through April 19, 2017 and concluded that no other subsequent events have occurred which would require recognition or disclosure in these financial statements.