

HUMANE SOCIETY OF MANATEE COUNTY, INC.
REPORT ON AUDIT OF FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

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January 10, 2013

TO THE BOARD OF DIRECTORS
Humane Society of Manatee County, Inc.
Bradenton, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Humane Society of Manatee County, Inc. as of September 30, 2012 and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Manatee County, Inc. as of September 30, 2012 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.

Bobbitt, Pittenger & Company, P.A.

Certified Public Accountants



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HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2012

ASSETS

Cash and cash equivalents	\$ 667,529
Certificates of deposit	499,713
Accounts receivable	18,295
Bequest receivable	700,000
Prepaid expenses	964
Property and equipment, net	<u>385,141</u>
 TOTAL ASSETS	 <u><u>\$ 2,271,642</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 27,592
Deferred revenue	48,625
Total liabilities	<u>76,217</u>
 Net assets:	
Unrestricted	2,192,150
Temporarily restricted	<u>3,275</u>
 Total net assets	 <u>2,195,425</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,271,642</u></u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended September 30, 2012

Changes in unrestricted net assets:

Revenues and gains:

Programs	\$ 49,364
Donations and grants	1,920,106
Fund-raising-special events	84,403
Medical clinic	442,039
Miscellaneous	3,348
Loss on disposal of equipment	(991)
Investment income	1,153
Total unrestricted revenue, gains, and other support	<u>2,499,422</u>

Expenses:

Program services	710,439
Management and general	84,785
Fund-raising	82,309
Total expenses	<u>877,533</u>

Change in unrestricted net assets 1,621,889

Net assets, beginning of year 573,536

Net assets, end of year \$ 2,195,425

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
 STATEMENT OF FUNCTIONAL EXPENSES
 For the Year Ended September 30, 2012

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Leased payroll and benefits	\$ 421,077	\$ 47,102	\$ 28,037	\$ 496,216
Second Chance expenses	21,625	--	--	21,625
Public clinic	109,526	--	--	109,526
Medical supplies	7,583	--	--	7,583
Shelter supplies	9,419	--	--	9,419
Retail merchandise	36,172	--	--	36,172
Office supplies	3,301	1,087	372	4,760
Utilities	16,187	1,908	1,865	19,960
Repairs and maintenance	9,069	1,075	1,051	11,195
Insurance	10,043	2,192	1,163	13,398
Equipment leases	4,854	237	231	5,322
Telephone	5,796	687	671	7,154
Donor cultivation	--	--	516	516
Professional fees	--	7,391	--	7,391
Advertising and marketing	2,885	1,015	--	3,900
Travel and entertainment	10,477	1,107	4	11,588
Bank and other fees	5,436	644	630	6,710
Fundraiser expense	--	--	42,221	42,221
Printing and copying	2,835	799	1,596	5,230
Postage and mailing	57	1,027	357	1,441
Miscellaneous	4,498	3,636	166	8,300
Software and graphics	--	11,370	--	11,370
Total expenses before depreciation	<u>680,840</u>	<u>81,277</u>	<u>78,880</u>	<u>840,997</u>
Depreciation	<u>29,599</u>	<u>3,508</u>	<u>3,429</u>	<u>36,536</u>
Total expenses	<u>\$ 710,439</u>	<u>\$ 84,785</u>	<u>\$ 82,309</u>	<u>\$ 877,533</u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2012

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Cash flows from operating activities:	
Change in net assets	\$ 1,621,889
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	36,536
Unrealized loss on investments	287
Loss on disposal of equipment	991
Change in operating assets and liabilities:	
Accounts receivable	18,962
Bequest receivable	(700,000)
Prepaid expenses	3,360
Accounts payable and accrued expenses	9,256
Deferred revenue	<u>(13,455)</u>
Net cash provided by operating activities	<u>977,826</u>
 Cash flows from investing activities:	
Purchase of certificates of deposit	(500,000)
Purchase of property and equipment	<u>(23,743)</u>
Net cash used by investing activities	(523,743)
 Net change in cash and cash equivalents	454,083
 Cash and cash equivalents at beginning of year	<u>213,446</u>
 Cash and cash equivalents at end of year	<u><u>\$ 667,529</u></u>

See accompanying notes.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization – Humane Society of Manatee County, Inc. (the “Organization”) was organized in 1973 as a non-profit corporation under laws of the State of Florida. The Organization serves the residents of Manatee County by promoting the welfare of animals through its adoption and various veterinary services programs. Funding sources include program service fees, private donations, and public and private grants.

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

Cash and Cash Equivalents – The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit – Certificates of deposit are measured at fair market value and mature at various dates with maturities ranging from three to twenty-four months.

Accounts and Bequest Receivables: The Organization records accounts and bequest receivables at their net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. As of September 30, 2012, all receivables are considered fully collectible.

Property and Equipment – The Organization records its property and equipment at cost or at fair market value, if donated. Depreciation of buildings and equipment is provided for using the straight-line method over the estimated useful lives of the respective assets. Estimated useful lives of assets range from 3 to 10 years for furniture, fixtures and equipment and 5 to 40 years for the building and related improvements. Maintenance and repair costs are expensed as incurred.

Deferred Revenue: Revenue from special events is recognized in the year the event occurs. Revenue received in the fiscal year prior to the event is deferred.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Donated Services – A substantial number of volunteers donated significant amounts of time to the Organization's program services and to its fund-raising campaigns. The estimated value of these donated services has not been recorded in the accompanying financial statements. Donated services are recognized when the service would typically require purchase of services due to the requirement of specialized skills and the donor possesses such skills.

Functional Allocation of Expenses – The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising – Advertising expense was \$3,900 for the year ended September 30, 2012 and was expensed as incurred.

Income Taxes: The Organization is generally exempt from Federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law. The Organization is required to pay income taxes on the excess of revenues derived from activities unrelated to the tax-exempt purpose of the Organization over the related expenses.

The Organization has adopted the provisions of Accounting Standard Codification 740 related to accounting for uncertainty in income taxes. This provision requires all tax positions that meet a more-likely-than-not recognition threshold at the effective date be recognized (or continue to be recognized) upon adoption.

Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions, should be recognized in the Organization's financial statements. Accordingly, no provision for income taxes has been included in the financial statements.

The Organization files income tax returns in the United States of America. With few exceptions, the Organization's tax returns are subject to income tax examination by tax authorities for tax years ending on or after September 30, 2009.

Use of Estimates – The preparation of financial statements in conformity with 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.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES-CONTINUED

Subsequent Events: The Organization has evaluated all subsequent events through January 10, 2013, the date the financial statements were available to be issued. Subsequent to September 30, 2012, the Organization was notified of approximately \$600,000 to be received from bequests.

NOTE B – PROPERTY AND EQUIPMENT

Property and equipment are as follows at September 30, 2012:

	2012
Land	\$ 85,359
Building	175,760
Building improvements	178,108
Furniture, fixtures, and equipment	126,698
Computers and software	21,664
Vehicles	<u>18,500</u>
	606,089
Less accumulated depreciation	<u>220,948</u>
Property and equipment, net	<u>\$ 385,141</u>

Depreciation expense was \$36,536 for the year ended September 30, 2012.

NOTE C – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the cash restricted for veterinary care in the amount of \$3,275 as of September 30, 2012.

NOTE D – LINE OF CREDIT

During 2012, the Organization renewed a line of credit with a local bank for \$100,000. The line of credit secured by real property held by the Organization, has an interest rate of 1 percent above prime (3.25% at September 30, 2012) and not less than 5.99 percent and matures on January 31, 2013. There was no amount outstanding on the line of credit as of September 30, 2012.

HUMANE SOCIETY OF MANATEE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
Year Ended September 30, 2012

NOTE E – FAIR VALUE MEASUREMENTS

The Organization measures certificates of deposit at fair value which was \$499,713 at September 30, 2012. Generally accepted accounting principles establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1: Quoted prices for identical assets or liabilities in active markets.
- Level 2: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-driven valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3: Significant inputs to the valuation model are unobservable.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. As of September 30, 2012, all certificates of deposit were measured using Level 1 inputs.