

**Humane Society of Manatee  
County, Inc.**

**Financial Statements**

**September 30, 2013**

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**CAVANAUGH & CO, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Humane Society of Manatee County, Inc.

We have audited the accompanying financial statements of Humane Society of Manatee County, Inc., a nonprofit organization, which comprise the statement of financial position as of September 30, 2013, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Manatee County, Inc. as of September 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Sarasota, Florida  
February 18, 2014

*Carenaults Co. LLP*

Humane Society of Manatee County, Inc.

Statement of Financial Position

September 30, 2013

ASSETS

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents	\$ 2,453,460	-	2,453,460
Certificates of deposit	200,280	-	200,280
Accounts receivable	37,462	-	37,462
Inventory	18,758	-	18,758
Prepaid expenses	1,382	-	1,382
Due (to)/from other fund	74,107	(74,107)	-
Total current assets	<u>2,785,449</u>	<u>(74,107)</u>	<u>2,711,342</u>
Property and equipment, net	374,177	-	374,177
Other assets:			
Investment in Community Foundation	20,000	-	20,000
Deposit	40,000	-	40,000
Bequest receivable	131,887	966,683	1,098,570
Total other assets	<u>191,887</u>	<u>966,683</u>	<u>1,158,570</u>
Total assets	<u>\$ 3,351,513</u>	<u>892,576</u>	<u>4,244,089</u>

LIABILITIES AND NET ASSETS

Current liabilities:			
Accounts payable and accrued expenses	\$ 36,500	-	36,500
Total current liabilities	36,500	-	36,500
Net assets	<u>3,315,013</u>	<u>892,576</u>	<u>4,207,589</u>
Total liabilities and net assets	<u>\$ 3,351,513</u>	<u>892,576</u>	<u>4,244,089</u>

See accompanying notes to financial statements.

**Humane Society of Manatee County, Inc.**

**Statement of Activities and Changes in Net Assets**  
Year Ended September 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues, gains and support:</b>			
Donations and grants	\$ 747,683	1,745,337	2,493,020
Medical clinic	468,198	-	468,198
Programs	52,632	-	52,632
Special events income	127,997	-	127,997
Special events expense	(63,979)	-	(63,979)
Miscellaneous	2,882	-	2,882
Investment income	5,582	-	5,582
Total revenues, gains and support	<u>1,340,995</u>	<u>1,745,337</u>	<u>3,086,332</u>
 Net assets released from restrictions	 <u>856,036</u>	 <u>(856,036)</u>	 <u>-</u>
 Total revenues, gains and support and net assets released from restrictions	 <u>2,197,031</u>	 <u>889,301</u>	 <u>3,086,332</u>
 <b>Expenses:</b>			
Program services	899,022	-	899,022
Management and general	99,039	-	99,039
Fundraising	76,107	-	76,107
Total expenses	<u>1,074,168</u>	<u>-</u>	<u>1,074,168</u>
 Change in net assets	 1,122,863	 889,301	 2,012,164
Net assets at beginning of year,	<u>2,192,150</u>	<u>3,275</u>	<u>2,195,425</u>
 Net assets at end of year	 <u>\$ 3,315,013</u>	 <u>892,576</u>	 <u>4,207,589</u>

See accompanying notes to financial statements.

**Humane Society of Manatee County, Inc.**

**Statement of Functional Expenses**  
Year Ended September 30, 2013

	<u>Shelter</u>	<u>Medical Clinic</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	<u>Total</u>
Leased payroll and benefits	\$ 217,851	277,494	495,345	76,646	48,591	620,582
Public clinic	-	134,113	134,113	-	-	134,113
Second Chance expenses	72,836	-	72,836	-	-	72,836
Medical supplies	838	26,386	27,224	-	-	27,224
Shelter supplies	13,330	-	13,330	-	-	13,330
Retail merchandise	1,000	37,931	38,931	-	-	38,931
Office supplies	1,616	1,439	3,055	873	1,009	4,937
Utilities	10,400	7,081	17,481	2,324	2,324	22,129
Repairs and Maintenance	6,886	4,689	11,575	1,539	1,539	14,653
Insurance	5,218	3,492	8,710	1,056	1,146	10,912
Equipment leases	969	5,913	6,882	-	323	7,205
Telephone	2,328	1,585	3,913	520	521	4,954
Donor cultivation	-	-	-	-	10,185	10,185
Professional fees	1,175	1,175	2,350	5,901	-	8,251
Advertising and marketing	903	4,515	5,418	-	-	5,418
Travel and entertainment	1,000	118	1,118	1,817	-	2,935
Bank and other fees	1,840	4,784	6,624	-	736	7,360
Printing and copying	500	2,258	2,758	481	976	4,215
Postage	-	-	-	1,389	900	2,289
Miscellaneous	6,980	4,752	11,732	1,561	1,560	14,853
Software and graphics	2,741	1,866	4,607	614	613	5,834
Fundraising	-	-	-	-	1,757	1,757
	<u>348,411</u>	<u>519,591</u>	<u>868,002</u>	<u>94,721</u>	<u>72,180</u>	<u>1,034,903</u>
Total expenses before depreciation						
Depreciation	18,455	12,565	31,020	4,318	3,927	39,265
Total expenses	<u>\$ 366,866</u>	<u>532,156</u>	<u>899,022</u>	<u>99,039</u>	<u>76,107</u>	<u>1,074,168</u>

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Statement of Cash Flows  
Year Ended September 30, 2013

<b>Cash flows from operating activities:</b>	
Change in net assets	\$ 2,012,164
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	39,265
Unrealized gain on investments	(3,374)
(Increase) decrease in:	
Accounts receivable	(19,167)
Inventory	(18,758)
Prepaid expenses	(418)
Bequest receivable	(398,570)
Increase (decrease) in:	
Accounts payable and accrued expenses	8,908
Deferred revenue	(48,625)
Net cash flows from operating activities	<u>1,571,425</u>
<b>Cash flows from investing activities:</b>	
Proceeds from redemption of certificates of deposit	302,807
Purchases of investments	(20,000)
Purchases of property and equipment	<u>(68,301)</u>
Net cash flows from investing activities	<u>214,506</u>
Net increase in cash and cash equivalents	1,785,931
Beginning cash and cash equivalents	<u>667,529</u>
Ending cash and cash equivalents	<u>\$ 2,453,460</u>

See accompanying notes to financial statements.

## Humane Society of Manatee County, Inc.

### Notes to Financial Statements

September 30, 2013

#### Note 1 – Organization and Summary of Significant Accounting Policies:

##### Organization

Humane Society of Manatee County, Inc. ("the Organization") is a not-for-profit corporation that 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 Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

##### Basis of Presentation

Financial statement presentation follows the recommendations of the *Accounting Standards Codification* for Not-for-Profit Entities. Accordingly, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted – Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted – Net assets restricted by donor to be maintained permanently by the Organization. No permanently restricted net assets were held at September 30, 2013.

##### Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an original 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, 2013, all receivables are considered fully collectible.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2013

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

Inventory

Inventories are stated at the lower of cost or market determined by the first-in, first-out method and represent medicines and supplies.

Property and Equipment

It is the Organization's policy to capitalize property and equipment with a cost over \$500. Purchased property and equipment is capitalized at cost, except for donated assets, which are recorded at their fair market value at the time of the gift. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset for a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated on the straight-line method over their estimated useful lives.

Deferred Revenue

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

Contributions

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions received with donor stipulations that limit the use of donated assets are treated as temporarily restricted net assets. When the purpose of the 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. Donor restricted contributions whose restrictions are met in the same fiscal year as when the donation is received are reported as unrestricted support.

Donated Services

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

A substantial number of volunteers donated significant amounts of time to the Organization's program services and to its fundraising campaigns. The estimated value of these donated services has not been recorded in the accompanying financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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

September 30, 2013

**Note 1 – Organization and Summary of Significant Accounting Policies – Continued:**

Functional Allocation of Expenses

The costs of providing the various programs and other 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.

Income Taxes

The Organization is generally exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. There was no income tax liability for the year ended September 30, 2013.

Management has evaluated the effect of an accounting standard relating to accounting for uncertainty in income taxes. Management has determined that the Organization had no uncertain income tax positions that could have a significant effect on the financial statements for the year ended September 30, 2013. The Organization's federal income tax returns for 2012, 2011 and 2010 are subject to examination by the Internal Revenue Service, generally for three years after the federal income tax returns were filed.

Advertising

The Organization expenses advertising costs as incurred. Advertising expense for the year ended September 30, 2013, totaled \$5,418.

Uninsured Cash Balances

The Organization maintains its cash balances at several financial institutions located in Bradenton, Florida. As of September 30, 2013, certain accounts at financial institutions are subject to unlimited coverage by the Federal Deposit Insurance Corporation (FDIC). Certain other accounts at financial institutions are secured by the Federal Deposit Insurance Corporation up to \$250,000 September 30, 2013. Management considers this risk to be minimal. There were no cash balances in excess of FDIC limits at September 30, 2013.

**Note 2 – Property and Equipment:**

Property and equipment consists of the following:

Land	\$ 85,359
Building	175,760
Building improvements	203,119
Furniture, fixtures and equipment	127,965
Computers and software	23,687
Vehicles	<u>18,500</u>
Total property and equipment	634,390
Less: accumulated depreciation	<u>(260,213)</u>
Property and equipment, net	<u>\$ 374,177</u>

Humane Society of Manatee County, Inc.

Notes to Financial Statements  
September 30, 2013

**Note 3 – Property and Equipment - Continued:**

Depreciation expense for the year ended September 30, 2013, was \$39,265. Depreciable lives are as follows:

	<u>Years</u>
Furniture, fixtures and equipment	3-10
Building and improvements	5-40

**Note 4 – Investments:**

The components of investments at September 30, 2013, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain</u>
Investment in Community Foundation	\$ 20,000	20,000	-

Investment income for the year ended September 30, 2013 consists of the following:

Depository interest	\$ 2,208
Unrealized gains	3,374
Total investment income	<u>\$ 5,582</u>

**Note 5 - Fair Value of Financial Assets and Liabilities:**

The Organization has adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The following table presents information about the Organization's assets and liabilities that are measured at fair value on a recurring basis as of September 30, 2013, and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

**Humane Society of Manatee County, Inc.**

**Notes to Financial Statements**  
September 30, 2013

**Note 5 - Fair Value of Financial Assets and Liabilities - Continued:**

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the assets or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Organization’s assumptions based on the best information available in the circumstance.

	<u>9/30/13</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investment in Community Foundation	\$ 20,000	-	-	20,000
Total assets and liabilities at fair value	<u>\$ 20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the period ended September 30, 2013:

Balance - September 30, 2012	Community Foundation Investment \$ -
Contributions	<u>20,000</u>
Balance - September 30, 2013	<u>\$ 20,000</u>

**Note 6 – Temporarily Restricted Net Assets:**

At September 30, 2013, the Organization’s temporarily restricted net assets are available for the following:

Veterinary care	\$ 3,275
Pit bull spay/neuter program	17,121
Care and treatment of animals	<u>872,180</u>
Total	<u>\$ 892,576</u>

**Humane Society of Manatee County, Inc.**

**Notes to Financial Statements**

September 30, 2013

**Note 7 – Employee Benefit Plan**

Employees participate in a 401(k) plan that is administered and funded by the professional employer organization used by the Organization.

**Note 8 – Line of Credit**

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

**Note 9 – Subsequent Events:**

Subsequent events have been evaluated through February 18, 2014, which is the date the financial statements were available to be issued.

During the year ended September 30, 2013, the Organization entered into a contract to purchase a building for \$400,000. The sale was completed after year end. As of September 30, 2013, the Organization paid \$40,000 as a deposit on the property.