

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

Financial Statements

September 30, 2016

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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, 2016, 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, 2016, 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.

Report on Summarized Comparative Information

We have previously audited Humane Society of Manatee County, Inc.'s 2015 financial statements, and our report dated October 14, 2016, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida
July 5, 2017

A handwritten signature in black ink that reads "Carvonaugh & Co. LLP". The signature is written in a cursive, flowing style with a large initial 'C'.

Humane Society of Manatee County, Inc.

Statement of Financial Position

September 30, 2016

	<u>ASSETS</u>			
	2016			2015
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Comparative Purposes Only)</u>
Current assets:				
Cash and cash equivalents	\$ 1,586,576	-	1,586,576	1,506,615
Investments	401,184	-	401,184	301,613
Investment in				
Community Foundation	618,611	-	618,611	572,400
Accounts receivable	51,368	-	51,368	42,057
Pledges receivable	58,837	-	58,837	31,055
Inventory	11,532	-	11,532	15,412
Prepaid expenses	(1,000)	-	(1,000)	-
Total current assets	<u>2,727,108</u>	<u>-</u>	<u>2,727,108</u>	<u>2,469,152</u>
Property and equipment, net	<u>1,804,933</u>	<u>-</u>	<u>1,804,933</u>	<u>1,795,541</u>
Other assets:				
Bequest receivable	-	-	-	157,933
Total other assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,933</u>
Total assets	<u>\$ 4,532,041</u>	<u>-</u>	<u>4,532,041</u>	<u>4,422,626</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable and accrued expenses	\$ 83,578	-	83,578	117,149
Deferred revenue	9,804	-	9,804	69,673
Total current liabilities	93,382	-	93,382	186,822
Net assets	<u>4,438,659</u>	<u>-</u>	<u>4,438,659</u>	<u>4,235,804</u>
Total liabilities and net assets	<u>\$ 4,532,041</u>	<u>-</u>	<u>4,532,041</u>	<u>4,422,626</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, 2016

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Revenues, gains and support:				
Donations and grants	\$ 1,156,620	-	1,156,620	927,725
Medical clinic	963,236	-	963,236	576,371
Programs	120,991	-	120,991	87,282
Special events income	87,866	-	87,866	109,004
Special events expense	(31,778)	-	(31,778)	(37,856)
In-kind contributions	82,142	-	82,142	85,607
Miscellaneous	1,644	-	1,644	2,737
Investment income (loss), net	63,806	-	63,806	(23,149)
Total revenues, gains and support	2,444,527	-	2,444,527	1,727,721
Net assets released from restrictions	371,852	(371,852)	-	-
Total revenues, gains and support and net assets released from restrictions	2,816,379	(371,852)	2,444,527	1,727,721
Expenses:				
Program services	1,930,808	-	1,930,808	1,395,228
Management and general	124,416	-	124,416	109,436
Fundraising	186,448	-	186,448	157,552
Total expenses	2,241,672	-	2,241,672	1,662,216
Change in net assets	574,707	(371,852)	202,855	65,505
Net assets at beginning of year	3,863,952	371,852	4,235,804	4,170,299
Net assets at end of year	\$ 4,438,659	-	4,438,659	4,235,804

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Statement of Functional Expenses
Year Ended September 30, 2016

	2016					Total	2015 Comparative Purposes Only)
	Shelter	Medical Clinic	Total Program Services	Management and General	Fund- raising		
Leased payroll and benefits	\$ 317,639	584,766	902,405	76,960	129,914	1,109,279	883,584
Public clinic	-	334,797	334,797	-	-	334,797	88,891
Second Chance expenses	145,316	-	145,316	-	-	145,316	198,663
Retail merchandise	14,772	165,445	180,217	-	-	180,217	106,306
Office supplies	1,739	1,826	3,565	1,816	876	6,257	5,485
Utilities	20,651	18,633	39,284	2,430	1,214	42,928	34,319
Repairs and maintenance	16,083	8,900	24,983	1,880	939	27,802	26,334
Insurance	13,417	11,971	25,388	2,544	789	28,721	21,005
Equipment leases	8,194	14,614	22,808	964	482	24,254	11,149
Telephone	8,041	5,796	13,837	946	473	15,256	9,758
Donor cultivation	-	-	-	-	6,694	6,694	5,050
Professional fees	-	-	-	16,490	2,619	19,109	10,213
Advertising and marketing	5,267	86,430	91,697	-	-	91,697	49,356
Travel and entertainment	796	1,966	2,762	1,549	626	4,937	6,753
Bank and other fees	4,259	12,193	16,452	4,713	-	21,165	15,608
Printing and copying	-	6,628	6,628	752	1,856	9,236	7,870
Postage	-	450	450	775	3,279	4,504	1,901
Miscellaneous	16,177	13,781	29,958	7,057	3,296	40,311	32,858
Software and graphics	3,863	4,070	7,933	966	1,016	9,915	10,708
Fundraising	-	-	-	-	27,801	27,801	87,286
Total expenses before depreciation	576,214	1,272,266	1,848,480	119,842	181,874	2,150,196	1,613,097
Depreciation	18,295	64,033	82,328	4,574	4,574	91,476	49,119
Total expenses	\$ 594,509	1,336,299	1,930,808	124,416	186,448	2,241,672	1,662,216

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Statement of Cash Flows
Year Ended September 30, 2016

	2016	2015 (Comparative Purposes Only)
Cash flows from operating activities:		
Change in net assets	\$ 202,855	65,505
Adjustments to reconcile change in net assets to to net cash from operating activities:		
Depreciation	91,476	49,119
Unrealized loss (gain) on investments	(39,712)	30,800
(Increase) decrease in:		
Accounts receivable	(9,311)	(22,743)
Pledges receivable	(27,782)	(31,055)
Inventory	3,880	3,380
Prepaid expenses	1,000	1,382
Bequest receivable	157,933	(157,933)
Increase (decrease) in:		
Accounts payable and accrued expenses	(33,571)	50,030
Deferred revenue	(59,869)	69,673
Net cash flows from operating activities	286,899	58,158
 Cash flows from investing activities:		
Purchases of investments	(106,070)	(503,240)
Purchases of property and equipment	(100,868)	(1,099,181)
Net cash flows from investing activities	(206,938)	(1,602,421)
 Net (decrease) increase in cash and cash equivalents	79,961	(1,544,263)
 Beginning cash and cash equivalents	1,506,615	3,050,878
 Ending cash and cash equivalents	\$ 1,586,576	1,506,615

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

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, 2016.

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.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

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

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, 2016, all receivables are considered fully collectible.

Inventory

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

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

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

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.

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, 2016.

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, 2016. The Organization's federal income tax returns 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, 2016, totaled \$91,697.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

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

Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2015, from which the summarized information was derived.

Uninsured Cash Balances

The Organization maintains its cash balances at several financial institutions located in Bradenton, Florida. As of September 30, 2016, 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. Management considers this risk to be minimal. There were no cash balances in excess of FDIC limits at September 30, 2016. The Organization has approximately \$736,468 of cash in brokerage accounts which are protected by the Savings Protection Insurance Corporation up to \$500,000, with additional coverage available. Management considers the risk of loss on deposit accounts to be minimal.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

Note 2 – Property and Equipment:

Property and equipment consists of the following:

Land	\$ 85,359
Building	1,513,218
Building improvements	276,123
Furniture, fixtures and equipment	325,970
Computers and software	36,738
Vehicles	<u>18,500</u>
Total property and equipment	2,255,908
Less: accumulated depreciation	<u>(450,975)</u>
Property and equipment, net	\$ <u><u>1,804,933</u></u>

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

Note 2 – Property and Equipment - continued:

Depreciation expense for the year ended September 30, 2016, was \$91,476. Depreciable lives are as follows:

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

Note 3 – Investments:

The components of investments at September 30, 2016, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Investment in Community Foundation	\$ 600,000	618,611	18,611
Mutual and bond funds	325,109	361,361	36,252
Municipal bonds	10,000	10,765	765
Asset backed securities	1,544	1,490	(54)
Unit trusts	10,604	11,248	644
Common stocks	14,886	16,320	1,434
Total investments	<u>\$ 962,143</u>	<u>1,019,795</u>	<u>57,652</u>

Investment income for the year ended September 30, 2016 consists of the following:

Depository interest	\$ 24,094
Unrealized gain	<u>39,712</u>
Total investment income	<u>\$ 63,806</u>

Note 4 – 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, 2016, 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, 2016

Note 4 – 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>9/30/16</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	\$ 618,611	-	-	618,611
Mutual and bond funds	361,361	361,361	-	-
Municipal bonds	10,765	-	10,765	-
Asset backed securities	1,490	-	1,490	-
Unit trusts	11,248	-	11,248	-
Common stocks	<u>16,320</u>	<u>16,320</u>	-	-
Total assets at fair value	<u>\$ 1,019,795</u>	<u>377,681</u>	<u>23,503</u>	<u>618,611</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, 2016:

	<u>Community Foundation Investment</u>
Balance - September 30, 2015	\$ 572,400
Investment income	50,924
Investment income (loss), net	<u>(4,713)</u>
Balance - September 30, 2016	<u>\$ 618,611</u>

Note 5 – Employee Benefit Plan:

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

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2016

Note 6 – 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 5.99 percent. There was no amount outstanding on the line of credit at September 30, 2016.

Note 7 – Subsequent Events:

Subsequent events have been evaluated through July 5, 2017 which is the date the financial statements were available to be issued.