

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

Financial Statements

September 30, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and our report dated July 5, 2017, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sarasota, Florida
February 26, 2018

Cavanaugh & Co. LLP

Humane Society of Manatee County, Inc.

Statement of Financial Position

September 30, 2017

	<u>ASSETS</u>			
	<u>2017</u>			2016
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Comparative Purposes Only)</u>
Current assets:				
Cash and cash equivalents	\$ 394,286	23,218	417,504	1,586,576
Investments	1,305,289	-	1,305,289	401,184
Investment in Community Foundation	691,232	-	691,232	618,611
Accounts receivable	20,789	-	20,789	51,368
Pledges receivable	-	-	-	58,837
Inventory	<u>13,988</u>	<u>-</u>	<u>13,988</u>	<u>10,532</u>
Total current assets	<u>2,425,584</u>	<u>23,218</u>	<u>2,448,802</u>	<u>2,727,108</u>
Property and equipment, net	<u>1,788,803</u>	<u>-</u>	<u>1,788,803</u>	<u>1,804,933</u>
Total assets	<u>\$ 4,214,387</u>	<u>23,218</u>	<u>4,237,605</u>	<u>4,532,041</u>

LIABILITIES AND NET ASSETS

Current liabilities:				
Accounts payable and accrued expenses	\$ 109,415	-	109,415	83,578
Deferred revenue	<u>28,132</u>	<u>-</u>	<u>28,132</u>	<u>9,804</u>
Total current liabilities	137,547	-	137,547	93,382
Net assets	<u>4,076,840</u>	<u>23,218</u>	<u>4,100,058</u>	<u>4,438,659</u>
Total liabilities and net assets	<u>\$ 4,214,387</u>	<u>23,218</u>	<u>4,237,605</u>	<u>4,532,041</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, 2017

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total (For Comparative Purposes Only)
Revenues, gains and support:				
Donations and grants	\$ 571,743	67,031	638,774	1,156,620
Medical clinic	992,926	-	992,926	963,236
Programs	105,557	-	105,557	120,991
Special events income	85,728	-	85,728	87,866
Special events expense	(24,583)	-	(24,583)	(31,778)
In-kind contributions	41,697	-	41,697	82,142
Miscellaneous	243	-	243	1,644
Investment income (loss), net	152,705	-	152,705	63,806
Total revenues, gains and support	1,926,016	67,031	1,993,047	2,444,527
Net assets released from restrictions	43,813	(43,813)	-	-
Total revenues, gains and support and net assets released from restrictions	1,969,829	23,218	1,993,047	2,444,527
Expenses:				
Program services	2,011,851	-	2,011,851	1,930,808
Management and general	136,756	-	136,756	124,416
Fundraising	183,040	-	183,040	186,448
Total expenses	2,331,647	-	2,331,647	2,241,672
Change in net assets	(361,818)	23,218	(338,600)	202,855
Net assets at beginning of year	4,438,658	-	4,438,658	4,235,804
Net assets at end of year	\$ 4,076,840	23,218	4,100,058	4,438,659

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Statement of Functional Expenses
Year Ended September 30, 2017

	2017					Total	2016 Comparative Purposes Only)
	Shelter	Medical Clinic	Total Program Services	Management and General	Fund- raising		
Leased payroll and benefits	\$ 333,354	671,218	1,004,572	79,935	130,381	1,214,888	1,109,279
Public clinic	-	320,735	320,735	-	-	320,735	334,797
Second Chance expenses	-	171,467	171,467	-	-	171,467	145,316
Retail merchandise	9,182	204,625	213,807	-	-	213,807	180,217
Office supplies	3,446	2,891	6,337	2,340	2,015	10,692	6,257
Utilities	22,332	17,203	39,535	2,419	1,209	43,163	42,928
Repairs and maintenance	15,159	11,794	26,953	1,784	892	29,629	27,802
Insurance	13,069	10,574	23,643	2,801	769	27,213	28,721
Equipment leases	3,194	15,269	18,463	2,850	2,850	24,163	24,254
Telephone	7,256	5,936	13,192	853	427	14,472	15,256
Donor cultivation	-	-	-	-	5,423	5,423	6,694
Professional fees	-	-	-	8,534	-	8,534	19,109
Advertising and marketing	30,301	12,637	42,938	1,120	-	44,058	91,697
Travel and entertainment	4,109	506	4,615	4,012	1,559	10,186	4,937
Bank and other fees	3,919	12,380	16,299	10,829	1,200	28,328	21,165
Printing and copying	-	6,759	6,759	6,080	1,570	14,409	9,236
Postage	-	914	914	4,055	2,928	7,897	4,504
Miscellaneous	6,823	5,701	12,524	3,468	3,625	19,617	40,311
Software and graphics	2,213	2,313	4,526	978	795	6,299	9,915
Fundraising	-	-	-	-	22,699	22,699	27,801
Total expenses before depreciation	454,357	1,472,922	1,927,279	132,058	178,342	2,237,679	2,150,196
Depreciation	65,778	18,794	84,572	4,698	4,698	93,968	91,476
Total expenses	\$ 520,135	1,491,716	2,011,851	136,756	183,040	2,331,647	2,241,672

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Statement of Cash Flows
Year Ended September 30, 2017

	2017			2016
	Unrestricted	Temporarily Restricted	Total	(Comparative Purposes Only)
Cash flows from operating activities:				
Change in net assets	\$ (361,818)	23,218	(338,600)	202,855
Adjustments to reconcile change in net assets to to net cash from operating activities:				
Depreciation	93,968	-	93,968	91,476
Unrealized loss (gain) on investments	(133,608)	-	(133,608)	(39,712)
(Increase) decrease in:				
Accounts receivable	30,579	-	30,579	(9,311)
Pledges receivable	58,837	-	58,837	(27,782)
Inventory	(3,456)	-	(3,456)	3,880
Prepaid expenses	-	-	-	1,000
Bequest receivable	-	-	-	157,933
Increase (decrease) in:			-	
Accounts payable and accrued expenses	25,837	-	25,837	(33,571)
Deferred revenue	18,328	-	18,328	(59,869)
Net cash flows from operating activities	(271,333)	23,218	(248,115)	286,899
Cash flows from investing activities:				
Purchases of investments	(843,118)	-	(843,118)	(106,070)
Purchases of property and equipment	(77,839)	-	(77,839)	(100,868)
Net cash flows from investing activities	(920,957)	-	(920,957)	(206,938)
Net (decrease) increase in cash and cash equivalents	(1,192,290)	23,218	(1,169,072)	79,961
Beginning cash and cash equivalents	1,586,576	-	1,586,576	1,506,615
Ending cash and cash equivalents	\$ 394,286	23,218	417,504	1,586,576

See accompanying notes to financial statements.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2017

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, 2017.

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, 2017

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, 2017, 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, 2017

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, 2017.

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, 2017. 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, 2017, totaled \$44,058.

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2017

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, 2016, 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, 2017, 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. There were no cash balances in excess of FDIC limits at September 30, 2017. 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		275,948
Furniture, fixtures and equipment		395,694
Computers and software		45,027
Vehicles		<u>18,500</u>
Total property and equipment		2,333,746
Less: accumulated depreciation		<u>(544,943)</u>
Property and equipment, net	\$	<u>1,788,803</u>

Humane Society of Manatee County, Inc.

Notes to Financial Statements

September 30, 2017

Note 2 – Property and Equipment - continued:

Depreciation expense for the year ended September 30, 2017, was \$93,968. 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, 2017, are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Accumulated Unrealized Gain (Loss)</u>
Investment in Community Foundation	\$ 600,000	691,232	91,232
Equities	297,308	318,956	21,648
Fixed income	203,144	205,202	2,058
Mutual and bond funds	339,411	370,116	30,705
Exchange traded funds	397,566	410,913	13,347
Cash	<u>102</u>	<u>102</u>	<u>-</u>
Total investments	<u>\$ 1,837,531</u>	<u>1,996,521</u>	<u>158,990</u>

Investment income for the year ended September 30, 2017 consists of the following:

Depository interest	\$ 19,097
Unrealized gain	<u>133,608</u>
Total investment income	<u>\$ 152,705</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, 2017, 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, 2017

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>9/30/17</u>	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in Community Foundation	\$ 691,232	-	-	691,232
Equities	318,956	318,956	-	-
Fixed income	205,202	205,202	-	-
Mutual and bond funds	370,116	370,116	-	-
Exchange traded funds	<u>410,913</u>	<u>410,913</u>	-	-
Total assets at fair value	<u>\$ 1,996,419</u>	<u>1,305,187</u>	<u>-</u>	<u>691,232</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, 2017:

	<u>Community Foundation Investment</u>
Balance - September 30, 2016	\$ 618,611
Investment income	77,618
Investment fees and expenses	<u>(4,997)</u>
Balance - September 30, 2017	<u>\$ 691,232</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, 2017

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, 2017.

Note 7 – Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following programs or uses as of September 30, 2017:

Spay / neuter programs	\$ <u>23,218</u>
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Note 8 – Subsequent Events:

Subsequent events have been evaluated through February 26, 2018 which is the date the financial statements were available to be issued.