

MERCIER CPA ASSOCIATES, PA

Certified Public Accountants

SUNCOAST HUMANE SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2014 and 2013

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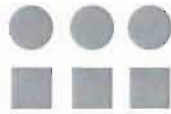
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MERCIER CPA ASSOCIATES, PA
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Suncoast Humane Society, Inc.
6781 San Casa Drive, Englewood, FL 34224

We have audited the accompanying statement of financial position of Suncoast Humane Society, Inc. (a not-for-profit organization) as of December 31, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements. The statement of financial position of the Suncoast Humane Society, Inc. as of December 31, 2013 and the related statements of activities and cash flows for the year then ended were audited by other auditors whose report dated June 3, 2014, expressed an unqualified opinion on those 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including assessment of 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 internal control. Accordingly, we express no such opinion. An audit also includes the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Suncoast Humane Society, Inc. as of December 31, 2014, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mercier CPA Associates PA

Mercier CPA Associates, PA
July 31, 2015

Suncoast Humane Society, Inc.
Statements of Financial Position
December 31, 2014 and 2013

	2014	2013
ASSETS:		
Cash and cash equivalents	\$ 215,264	\$ 89,845
Short-term investments (NOTE D)	50,001	31,284
Accounts receivable (NOTE B)	97,624	-
Inventories (NOTE E)	183,512	180,298
Prepaid expenses	6,977	7,520
Land, buildings and equipment	914,503	911,432
Loan costs (net of amortization)	1,027	1,848
Long term investments (NOTE D)	544,287	251,506
Security deposits	19,381	17,584
TOTAL ASSETS	\$ 2,032,576	\$ 1,491,317
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 22,690	\$ 20,930
Accrued payroll liabilities	22,874	17,052
Sales tax payable	3,883	1,949
Current portion of mortgage payable	9,698	8,516
Total current liabilities	59,145	48,447
 Long-term liabilities:		
Mortgage payable, less current portion	304,718	314,732
Total long-term liabilities	304,718	314,732
Total liabilities	363,863	363,179
 Net Assets:		
Unrestricted	1,526,764	1,081,555
Temporarily restricted (NOTE C)	111,578	16,212
Permanently restricted (NOTE C)	30,371	30,371
Total net assets	1,668,713	1,128,138
TOTAL LIABILITIES AND NET ASSETS	\$ 2,032,576	\$ 1,491,317

Suncoast Humane Society, Inc.

Statements of Activities

December 31, 2014 and 2013

	2014			2013	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, gains and other support:					
Contributions and Grants	\$ 1,181,261	\$ 108,460	\$ -	\$ 1,289,721	\$ 574,990
Outreach Revenue (NOTE B)	114,656	-	-	114,656	217,669
Animal Care and Clinic Revenue (NOTE B)	377,929	18,287	-	396,216	309,898
Retail Revenue, net of purchases	572,829	-	-	572,829	611,110
Income on short-term investments	1,261	-	-	1,261	365
Income on long-term investments (NOTE D)	8,366	-	-	8,366	11,174
Net change in investments (NOTE D)	(1,868)	-	-	(1,868)	102,478
Net assets released from restrictions (NOTE C)	31,381	(31,381)	-	-	-
Total Revenues, gains, and other support	2,285,815	95,366	-	2,381,181	1,827,684
Expenses and losses:					
Outreach Program Expenses	54,063	-	-	54,063	61,702
Animal Care and Clinic Expenses	1,416,597	-	-	1,416,597	1,088,546
Thrift Store and Fundraising Expenses	130,665	-	-	130,665	409,661
Management and General Expenses	239,281	-	-	239,281	142,929
Total Expenses (NOTE F)	1,840,606	-	-	1,840,606	1,702,838
Losses (if any)	-	-	-	-	-
Total Expenses and losses	1,840,606	-	-	1,840,606	1,702,838
Change in net assets	445,209	95,366	-	540,575	124,846
Net assets at beginning of year	1,081,555	16,212	30,371	1,128,138	966,364
Net assets at end of year	\$ 1,526,764	\$ 111,578	\$ 30,371	\$ 1,668,713	\$ 1,091,210

Suncoast Humane Society, Inc.

Statements of Cash Flows

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 540,575	\$ 124,846
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	35,654	37,693
Donation receivable	(97,624)	-
Inventory	(3,214)	(23,686)
Prepaid expenses	543	3,475
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	<u>394,237</u>	<u>(20,631)</u>
Net cash provided by operating activities	870,171	121,697
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, property and equipment	(38,513)	(339,040)
Disposition of buildings, property and equipment	610	-
(Purchases) Sales of investments	(311,498)	220,901
Construction in process for new location	<u>(386,517)</u>	<u>-</u>
Net cash provided by investing activities	(735,918)	(118,139)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on notes payable	<u>(8,833)</u>	<u>(8,013)</u>
Net cash provided by financing activities	(8,833)	(8,013)
Net cash increase for period	125,420	(4,455)
Cash at beginning of period (NOTE B)	<u>89,845</u>	<u>94,300</u>
Cash at end of period	<u>\$ 215,265</u>	<u>\$ 89,845</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE A - NATURE OF ORGANIZATION:

The Suncoast Humane Society, Inc. (the Organization) was founded in 1971 as the Animal Aid Society of Englewood; became incorporated with the State of Florida on October 12, 1987; and changed their name to Suncoast Humane Society in July 1999.

The Organization's purposes are:

1. Operating an "open admissions" animal care center which accepts all animals brought in and released by the public.
2. Returning lost animals to their owners.
3. Obtaining suitable homes for lost or unwanted animals deemed adoptable.
4. Providing humane euthanasia, by certified technicians for those animals not deemed adoptable due to illness, injury, behavioral issues, or other factors.
5. Offering awareness and humane education programs through community outreach.
6. Providing low-cost preventative veterinary services for pets belonging to families on low or fixed incomes.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization, who is responsible for its integrity and objectivity.

BASIS OF ACCOUNTING:

These financial statements have been prepared using the accrual basis of accounting; and, accordingly, reflect all significant receivables, payables and other liabilities.

BASIS OF PRESENTATION:

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification topic 958, *Financial Statements of Not-For-Profit Organizations*. Under the topic, the Organization's net assets are classified into three categories: (1) unrestricted net assets, which include no donor-imposed restrictions; (2) temporarily restricted net assets, which include donor-imposed restrictions that will expire in the future; and (3) permanently restricted net assets, which include donor-imposed restrictions that the assets be maintained permanently. The unrestricted net assets consist of operating funds available for any purpose as authorized by the Board of Trustees.

Temporarily restricted net assets consist of funds arising from gifts in which the donor has stipulated, as a condition of the gift, restrictions on how or when the gift may be spent.

Permanently restricted net assets consist of funds arising from a gift or bequest in which the donor has stipulated, as a condition of the gift, that the principal be maintained in perpetuity for a specific purpose.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

CASH AND CASH EQUIVALENTS:

Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and are so near their maturity dates that they present insignificant risks of changes in value. For purposes of the statement of cash flows, the Organization treated short-term cash-equivalent investments as investments rather than cash on hand.

ACCOUNTS RECEIVABLE:

A donor bequested real estate to the Organization. The real estate was subject to claims for a life estate from another beneficiary. The sale of the property was scheduled and held on January 8, 2015. Net proceeds of \$97,624 are listed as accounts receivable; the closing costs of \$1,404 and amounts payable to the other beneficiary of \$14,433 are included in accounts payable.

PROPERTY & EQUIPMENT:

Acquisitions of property and equipment in excess of \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over their useful lives. Depreciation expense for 2014 and 2013 was \$30,850 and \$36,871 respectively.

Property and equipment at December 31, 2014 and 2013 is as follows:

<u>Description of Asset</u>	<u>2014</u>	<u>2013</u>
Building	\$ 1,043,619	\$ 1,039,230
Clinical Equipment	23,292	23,415
Computer Equipment	3,951	25,514
Equipment	90,683	96,092
Furniture and fixtures	11,816	20,024
Land and Improvements	423,737	400,162
Signs	29,201	19,695
Vehicles	39,165	39,165
Total	<u>\$ 1,665,464</u>	<u>\$ 1,663,297</u>
Less: Accumulated Depreciation	<u>(750,961)</u>	<u>(751,865)</u>
Total Property and Equipment	<u>\$ 914,503</u>	<u>\$ 911,432</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

LAND:

In 1982, Charlotte County sold 1.15 acres of land at 6781 San Casa Drive, Englewood, FL, to the Organization for the purpose of housing an animal shelter. The deed to 6781 San Casa Drive had a restriction that the premises must be used for an animal shelter and no other purpose. The deed further provided that use of the land for any other purpose would terminate the conveyance and allow Charlotte County to take possession of the premises.

On December 20, 2013, the Organization purchased land for new facilities and have started the process of designing a new facility. The land has been surveyed and initial design work has been initiated.

MORTGAGE AND LOAN COSTS:

In April 2001, the Organization entered into a mortgage loan agreement for \$481,205 secured by the real estate at their current location of 6781 San Casa Drive, Englewood, FL. The interest was 6.25% for the first five years, after which the rate adjusted to 2.85% above the US Treasury Securities' rate every five years. The current interest rate on the mortgage is 4.484%. The mortgage matures on April 24, 2016. The mortgage's loan costs are being recognized over the fifteen year life of the loan Annual loan cost amortization expense is \$821; and loan costs as of December 31, 2014 and 2013 are as follows:

<u>Description of Asset</u>	<u>2014</u>	<u>2013</u>
Loan Costs (from 2001 mortgage)	\$ 12,319	\$ 12,319
Less: Accumulated Amortization	<u>(11,292)</u>	<u>(10,471)</u>
Total Loan Costs	<u>\$ 1,027</u>	<u>\$ 1,848</u>

CONTRIBUTED SERVICES AND SUPPLIES:

The Organization had more than four hundred volunteers who performed a variety of tasks, but there were no contributed services or other non-cash donations meeting requirements for financial statement recognition so the fair value of these volunteer services are not reflected.

REVENUE RECOGNITION:

Gifts of cash or other assets are recognized as restricted support if they are received with donor-stipulations that limit the use of donated assets. When a donor's restriction expires or assets can be used for purposed intended, temporarily restricted assets are reclassified as unrestricted net assets and reported on the statement of activities as net assets released from restrictions. Contributions with restrictions that can be met in the same year as received are recognized as unrestricted contributions. All other contributions are listed as temporarily or permanently restricted support depending on the nature of the restrictions.

The Organization does not recognize promises to give and, therefore, no allowance for uncollectible promises receiveable. The Organization also does not recognize a bequest until the money is received. Bequests are included when preparing future budgets.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

REVENUE RECOGNITION (continued):

The Organization receives revenue from a variety of sources as follows:

- Contributions and Grants from individual and corporate donors as well as legacy bequests
- Outreach Revenue from outreach programs, special events, and dog training classes
- Animal Care Revenue through its animal care center from adoption, boarding, and licensing fees
- Clinic Services Revenue from veterinary services, medications, and spay and neuter program fees
- Retail Revenue from sales of donated products at its three thrift store locations
- Investment income from dividends, interest, and realized and unrealized capital gains

INCOME TAX:

The Organization is a not-for-profit corporation that is exempt from income taxes under Section 501 (C)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

NOTE C - RESTRICTIONS ON NET ASSET:

Temporarily restricted net assets are available for the following purposes as of December 31, 2014 and 2013:

	2014	2013
Angel Medical Fund	\$ 19,591	\$ 4,408
Building Fund	91,987	11,084
Total Temporarily Restricted Assets	\$ 111,578	\$ 15,492

Temporarily Restricted net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors are as follows:

	2014	2013
Animal care paid by Angel Medical Fund	\$ 3,104	\$ 2,987
Building Fund	\$ 28,277	\$ -
TOTAL	\$ 31,381	\$ 2,987

Permanently restricted net assets are available for the following purposes:

	2014	2013
Land for animal shelter at 6781 San Casa	30,371	30,371

NOTE D - INVESTMENT SECURITIES:

The Organization reports investments using FASB Accounting Standard Codification 958, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under this topic, investments are valued at their fair market or appraised value on the statement of financial position; unrealized and realized gains and losses are reflected in the statement of activities. The Organization invests primarily in high-grade bonds, stocks, and certificates of deposit held at two institutions. The cash equivalent portion of the investment portfolio is reported as short term investments on the statement of financial position. In 2013, investment funds with a fair value of \$21,997 were labeled as endowment funds; however, no such restrictions were designated by the custodian; no donor restrictions could be identified; and these funds were not included in temporarily or permanently restricted net assets. These funds are, therefore, not segregated on these financial statements.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2014 and 2013

NOTE D - INVESTMENT SECURITIES (continued):

	Cash and cash equivalents	Investments at Cost	Unrealized Gains / (Losses)	Fair Value (including cash equivalents)
Investments at December 31, 2013	\$ 31,284	\$ 196,835	\$ 54,671	\$ 282,790
Gifts and additions to investments		\$ 405,000		\$ 405,000
Transfers between cash and investments	\$ 18,716	\$ (18,716)		\$ -
Investment Fees		\$ (1,492)		\$ (1,492)
Dividend and interest income	\$ 1	\$ 9,857		\$ 9,858
Realized and unrealized gains (losses)		\$ 58,780	\$ (60,648)	\$ (1,868)
Amounts transferred for operating		\$ (100,000)		\$ (100,000)
Investments at December 31, 2014	\$ 50,001	\$ 550,264	\$ (5,977)	\$ 594,288

NOTE E - INVENTORY:

The Organization maintains an inventory of donated items that are sold in their three thrift store locations. For 2014 and prior years, the fair value of this inventory was calculated using a turnover ratio of four times per year.

A large supply of medicines are maintained for use at the onsite clinic. These medicines were not previously included in the December 31, 2013 inventory. A physical inventory count was completed and the June 30, 2015, value of medicines on hand totalled \$51,512.96. Medical inventory was determined to be 15.69% of clinic revenues. Based on this calculation, inventory for December 31, 2013 and 2014 was estimated at \$36,928 and \$43,171 respectively. Inventory numbers were adjusted to include medical inventory.

NOTE F - FUNCTIONAL ALLOCATION OF EXPENSES:

The costs of providing various programs and activities have been summarized on a functional basis in the statement of activities. Costs that are directly related to a specific purpose have been recorded as a direct expense and included in program services. Certain costs have been allocated among program and supporting services. Thriftstore Income and Expenses were allocated directly to the animal care program. The allocation of expenses is as follows:

	Total	Outreach	Animal Care	Clinic	Management & General	Fundraising
Direct Program Expenses	\$ 395,196	\$ 4,157	\$ 299,702	\$ 17,026	\$ 47,299	\$ 27,012
Other Expenses:						
Payroll	1,074,803	42,350	605,468	182,751	156,299	87,935
Facilities	259,161	3,703	173,498	61,228	10,366	10,366
Depreciation & Amortization	31,671	1,267	15,994	6,493	7,917	-
Insurance	23,826	350	15,151	5,371	1,477	1,477
Bank & Merchant	17,236	689	8,704	3,534	4,309	-
Office	14,009	560	5,496	2,346	4,203	1,404
License & Taxes	9,904	396	3,887	1,659	2,971	991
Interest	14,800	591	5,810	2,479	4,440	1,480
Total Other Exp	1,445,410	49,906	834,008	265,861	191,982	103,653
Total Expenses	\$ 1,840,606	\$ 54,063	\$ 1,133,710	\$ 282,887	\$ 239,281	\$ 130,665