



MERCIER CPA ASSOCIATES, PA

Certified Public Accountants

SUNCOAST HUMANE SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2017 and 2016

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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, 2017, and the related statements of activities 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; 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.

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 Suncoast Humane Society, Inc. as of December 31, 2017, 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.

Report on Summarized Comparative Information

We have previously audited the Suncoast Humane Society's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercier CPA Associates, PA
June 27, 2018

Suncoast Humane Society, Inc.
Statements of Financial Position
December 31, 2017 and 2016

	2017	2016
ASSETS:		
Cash and cash equivalents	\$ 354,601	\$ 163,171
Inventories (NOTE H)	20,662	7,951
Prepaid expenses	6,716	6,230
Land, buildings and equipment (NOTE E)	915,028	942,799
Loan costs (net of amortization) (NOTE E)	5,677	6,709
Investments (NOTE G)	382,291	462,257
New facility costs	125,708	125,708
Security deposits	29,295	16,241
TOTAL ASSETS	\$ 1,839,978	\$ 1,731,066
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 144,014	\$ 143,566
Accrued payroll liabilities	4,147	3,882
Sales tax payable	8,305	4,946
Installment Loans	42,383	54,622
Mortgage payable - current portion (NOTE F)	16,102	15,400
Total current liabilities	214,951	222,416
Long-term liabilities:		
Mortgage payable, less current portion	272,694	287,273
Total long-term liabilities	272,694	287,273
Total liabilities	487,645	509,689
Net Assets:		
Without Donor Restrictions (NOTE D)	1,122,876	1,121,340
With Donor Restrictions (NOTE C)	229,457	100,037
Total net assets	1,352,333	1,221,377
TOTAL LIABILITIES AND NET ASSETS	\$ 1,839,978	\$ 1,731,066

Suncoast Humane Society, Inc.

Statements of Activities

December 31, 2017 and 2016

	2017			2016
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Contributions and Grants (NOTE C)	\$ 660,955	\$ 138,460	\$ 799,415	\$ 431,676
Outreach Revenue	187,444	-	187,444	274,349
Animal Care and Clinic Revenue (NOTE B)	489,267	-	489,267	426,477
Retail Revenue	842,609	-	842,609	725,341
Net assets released from restrictions				
Satisfaction of program restrictions (NOTE C)	9,040	(9,040)	-	-
Total operating revenues	2,189,315	129,420	2,318,735	1,857,843
Operating expenses				
Outreach Program Expenses	166,230	-	166,230	66,814
Animal Care and Clinic Expenses	1,552,862	-	1,552,862	1,263,150
Thrift Store and Fundraising Expenses	174,797	-	174,797	779,352
Management and General Expenses	358,155	-	358,155	80,046
Total operating expenses (NOTE I)	2,252,044	-	2,252,044	2,189,362
Operating revenue and gains in excess of operating expenses	(62,729)	129,420	66,691	(331,519)
Other items considered to be non-operating				
Investment Returns	76,447	-	76,447	37,210
Interest Expense	(12,182)	-	(12,182)	(17,177)
Change in net assets	1,536	129,420	130,956	(311,486)
Net assets at beginning of year	1,121,340	100,037	1,221,377	1,532,863
Net assets at end of year	<u>\$ 1,122,876</u>	<u>\$ 229,457</u>	<u>\$ 1,352,333</u>	<u>\$ 1,221,377</u>

Suncoast Humane Society, Inc.

Statements of Cash Flows

December 31, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 130,956	\$ (311,486)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation receivable	-	-
Inventory	(12,711)	4,579
Prepaid expenses	(486)	3,570
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	4,072	128,950
Net cash provided by operating activities	121,831	(174,387)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, property and equipment	(18,209)	(82,451)
Disposition of buildings, property and equipment	-	-
Depreciation and amortization	47,012	35,215
Sales (Purchases) of investments	79,966	218,371
Construction in process for new location	-	(2,550)
Security Deposits	(13,054)	-
Net cash provided by investing activities	95,715	168,585
CASH FLOWS FROM FINANCING ACTIVITIES		
New vehicle loans	-	54,622
Principal repayments on notes payable	(26,116)	(2,242)
Net cash provided by financing activities	(26,116)	52,380
Net cash increase for period	191,430	46,578
Cash at beginning of period (NOTE B)	163,171	116,593
Cash at end of period	\$ 354,601	\$ 163,171

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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*. This topic was updated in August 2016 by ASU 2016-14 to clarify reporting for financial periods after December 15, 2017. As a result, the Organization's net assets are classified as (1) with donor restrictions or (2) without donor-imposed restrictions.

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.

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Organization considers highly liquid investments available for re-investment as short-term investments rather than cash on hand.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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

PROMISES TO GIVE:

Contributions are recognized with the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization collected some capital donations when acquiring additional land, but has no open pledges as of December 31, 2017. As a result, there is no allowance for uncollectible pledges. The Organization initiated a large Shelter Me Capital Campaign in 2018 and began actively seeking pledges.

Cash restricted to construct a new building has been restricted by donors and is not available for operating purposes.

INVESTMENTS:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT:

The Organization capitalizes acquisitions of property and equipment in excess of \$2,500 are capitalized. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire such property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated or acquired assets must be maintained, the Organization reports expirations of donor restrictions when the donated property is placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for furniture and vehicles to thirty years for buildings.

CONTRIBUTED SERVICES AND SUPPLIES:

The Organization generally pays for services requiring specific expertise and has more than four hundred volunteers who performed a variety of tasks, but there were no contributed services meeting requirements for financial statement recognition so the fair value of these volunteer services are not reflected.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

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

INCOME TAX STATUS:

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

NATURAL EXPENSE ALLOCATION:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation according to the economic benefits received by incurring those expenses. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort; occupancy, utilities and depreciation, which are allocated on a percentage based upon square footage; and other costs such as interest expense and supplies, which are allocated by estimated percentage used. Management must review allocations to ensure they are reasonable and consistently applied.

REVENUE RECOGNITION:

The Organization receives revenue from a variety of sources, including: contributions and grants from individual and corporate donors as well as legacy bequests; revenue from outreach programs, special events, and dog training classes; revenue from its animal care center from adoption fees, boarding fee, and licensing fees; revenue from veterinary services, medications and spay/neuter program fees; proceeds from sales of donated items at the thrift store locations; and investment income from dividends, interest, and realized and unrealized capital gains

NOTE C - RESTRICTIONS ON NET ASSET:

Net assets were received for the following purposes during 2016 and 2017. A portion of these assets were released from restrictions by incurring expenses that satisfied the restricted purposes.

	Net Assets with Donor Restrictions	Angel Medical Fund	Grant for staff training	Capital Campaign	Land for animal shelter
Balance at 1/01/2016	\$ 62,602	\$ 21,782	\$ 1,290	\$ 9,159	\$ 30,371
Received during 2016	49,255	27,255	-	22,000	-
Released during 2016	(11,820)	(9,789)	(200)	(1,831)	-
Balance at 12/31/2016	\$ 100,037	\$ 39,248	\$ 1,090	\$ 29,328	\$ 30,371
Received during 2017	138,460	11,410	-	127,050	-
Released during 2017	(9,040)	(8,706)	(334)	-	-
Balance at 12/31/2017	\$ 229,457	\$ 41,952	\$ 756	\$ 156,378	\$ 30,371

In 1982, Charlotte County sold 1.15 acres of land at 6781 San Casa Blvd., Englewood, FL, to the Organization for the purpose of housing an animal shelter. The deed to 6781 San Casa Blvd 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.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE D - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions.

	2017	2016
Financial Assets at year-end	\$ 1,352,333	\$ 1,221,377
Less those unavailable for general expenditures:		
Angel Medical Fund	(41,952)	(39,248)
Grant for staff training	(756)	(1,090)
Capital campaign	(156,378)	(29,328)
Land for animal shelter	(30,371)	(30,371)
Financial Assets available to meet cash needs for general expenditures in next year	\$ 1,122,876	\$ 1,121,340

NOTE E - PROPERTY, EQUIPMENT AND OTHER FIXED ASSETS:

Property and equipment consists of the following:

Description of Asset	2017	2016
Building	\$ 1,053,075	\$ 1,053,075
Equipment	131,540	120,706
Furniture and fixtures	11,816	11,816
Land and Improvements	431,112	423,737
Mobile Trailer	16,371	16,371
Signs	29,200	29,200
Vehicles	70,748	70,748
Total	\$ 1,743,862	\$ 1,725,653
Less: Accumulated Depreciation	(828,834)	(782,854)
Total Property and Equipment	\$ 915,028	\$ 942,799

NOTE F - MORTGAGE AND LOAN COSTS:

In July 2016, the Organization refinanced their mortgage with a \$310,000 mortgage that matures on on June 17, 2023. This mortgage replaced a mortgage from April 2001 that matured in April 2016. The debt is secured by the real estate at their current location of 6781 San Casa Blvd., Englewood, FL. The interest rate on the mortgage is 4.484% and loan costs are being recognized over the seven year life of the loan at a rate of \$1,032 per year. Amortization for 2016 was \$516 for one-half year of amortization. Loan costs and amortization expenses as of December 31, 2017 and 2016 are as follows:

Description of Asset	2017	2016
Loan Costs as of January 1	\$ 6,709	\$ 7,225
Less: Accumulated Amortization	(1,032)	(516)
Loan Costs as of December 31	\$ 5,677	\$ 6,709

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 plans for the new facility are being drafted. The next architectural phase is to choose the main builder and begin clearing land.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE G - 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 stock and bond mutual funds and cash equivalents held at two institutions. The cash portion of the investment portfolio is reported as short term investments on the Statement of Financial Position. Investment funds with a fair value of \$25,273 are held at a local community foundation. There are no restrictions designated by the custodian and no donor restrictions. Therefore, these funds were not included in temporarily or permanently restricted net assets. They are listed as Fair Value Level Three funds below.

	Cash	Investments at Cost	Unrealized Gains / (Losses)	Fair Value including cash equivalents
Investments at December 31, 2016	\$ 64	\$ 483,446	\$ (21,253)	\$ 462,257
Gifts and additions to investments	\$ -	\$ -	\$ -	\$ -
Securities Purchased	(39,643)	39,643	-	-
Securities Sold	169,333	(169,333)	-	-
Investment Fees	(4,251)	-	-	(4,251)
Dividend and interest income	7,664	-	-	7,664
Realized gains (losses)	16,888	-	-	16,888
Unrealized Gains (losses)	-	-	49,733	49,733
Amounts transferred for operating	(150,000)	-	-	(150,000)
Investments at December 31, 2017	\$ 55	\$ 353,756	\$ 28,480	\$ 382,291

The Organization groups investment assets generally measured at fair value in three levels based on the markets where traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date. Level 1 assets generally include debt and equity securities that are traded in active exchange markets.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices in markets that are not active; or other inputs that are observable or can be corroborated.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Level 3 assets include financial instruments whose value is determined by pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

	Fair Value	Quoted in active markets (Level 1)	Significant Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 55	\$ 55	\$ -	\$ -
Available for Sale Securities:				
Open End Mutual Funds	356,963	356,963	-	-
Common Trust Funds	25,273	-	-	25,273
Investments at December 31, 2017	\$ 382,291	\$ 357,018	\$ -	\$ 25,273

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2017 and 2016

NOTE H - INVENTORY:

An inventory of medicine is purchased for use at the onsite clinic. The Organization also maintains an inventory of donated items that are sold in their thrift store locations. Effective December 15, 2016, accounting standards (ASU-2015-11) requires inventory to be valued at the lower of cost and net realizable value. Therefore, donated items are not included in inventory figures.

NOTE I - FUNCTIONAL ALLOCATION OF EXPENSES:

The table below presents expenses by both their nature and function as follows:

		Program Activities		Supporting Activities	
		Outreach	Animal Care & Clinic	Management & General	Fundraising
	Total				
Operating Expenses:					
Payroll	1,245,568	60,308	811,801	132,469	240,990
Office & occupancy	404,486	18,687	353,011	18,576	14,212
Depreciation & amortization	47,012	14,569	28,649	2,845	949
Insurance	9,007	1,620	3,824	2,033	1,530
Services & professional fees	137,454	5,850	127,353	4,251	-
Technology	30,434	1,829	16,463	1,371	10,771
Supplies, travel & other expenses	378,083	63,367	211,761	13,252	89,703
Total operating expenses	2,252,044	166,230	1,552,862	174,797	358,155
Non-Operating Items:					
Interest	12,182	1,851	4,118	2,802	3,411
Total Expenses	\$ 2,264,226	\$ 168,081	\$ 1,556,980	\$ 177,599	\$ 361,566