

SUNCOAST HUMANE SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2015 and 2014

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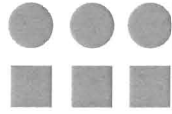
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MERCIER CPA ASSOCIATES, PA
Certified Public Accountants

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, 2015, 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.

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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 31, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercier CPA Associates PA

Mercier CPA Associates, PA
September 26, 2016

Suncoast Humane Society, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	2015	2014
ASSETS:		
Cash and cash equivalents	\$ 84,362	\$ 103,686
Temporarily restricted cash	32,231	111,578
Short-term investments (NOTE D)	73	50,001
Accounts receivable (NOTE B)	-	97,624
Inventories (NOTE E)	177,292	183,512
Prepaid expenses	8,477	6,977
Land, buildings and equipment (NOTE B)	902,066	914,503
Loan costs (net of amortization)	206	1,027
Long term investments (NOTE D)	680,556	544,287
New facility costs	123,158	-
Security deposits	16,241	19,381
TOTAL ASSETS	\$ 2,024,662	\$ 2,032,576
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 13,351	\$ 22,690
Accrued payroll liabilities	4,643	22,874
Sales tax payable	4,128	3,883
Current portion of mortgage payable	9,501	9,698
Total current liabilities	31,623	59,145
 Long-term liabilities:		
Mortgage payable, less current portion	295,414	304,718
Total long-term liabilities	295,414	304,718
Total liabilities	327,037	363,863
 Net Assets:		
Unrestricted	1,635,023	1,526,764
Temporarily restricted (NOTE C)	32,231	111,578
Permanently restricted (NOTE C)	30,371	30,371
Total net assets	1,697,625	1,668,713
TOTAL LIABILITIES AND NET ASSETS	\$ 2,024,662	\$ 2,032,576

Suncoast Humane Society, Inc.

Statements of Activities

December 31, 2015 and 2014

	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, gains and other support:					
Contributions and Grants	\$ 732,551	\$ 51,720	\$ -	\$ 784,271	\$ 1,289,721
Outreach Revenue (NOTE B)	233,565	-	-	233,565	114,656
Animal Care and Clinic Revenue (NOTE B)	382,573	-	-	382,573	396,216
Retail Revenue, net of purchases	688,454	-	-	688,454	572,829
Investment Returns (NOTE D)	(14,382)	-	-	(14,382)	7,759
Net assets released from restrictions (NOTE C)	131,067	(131,067)	-	-	-
Total Revenues, gains, and other support	2,153,828	(79,347)	-	2,074,481	2,381,181
Expenses and losses:					
Outreach Program Expenses	71,451	-	-	71,451	54,063
Animal Care and Clinic Expenses	1,633,616	-	-	1,633,616	1,416,597
Thrift Store and Fundraising Expenses	172,484	-	-	172,484	130,665
Management and General Expenses	168,018	-	-	168,018	239,281
Total Expenses (NOTE F)	2,045,569	-	-	2,045,569	1,840,606
Change in net assets	108,259	(79,347)	-	28,912	540,575
Net assets at beginning of year	1,526,764	111,578	30,371	1,668,713	1,128,138
Net assets at end of year	\$ 1,635,023	\$ 32,231	\$ 30,371	\$ 1,697,625	\$ 1,668,713

Suncoast Humane Society, Inc.

Statements of Cash Flows

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 28,912	\$ 540,575
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation receivable	97,624	(97,624)
Inventory	6,221	(3,214)
Prepaid expenses	(1,501)	543
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(27,325)	394,237
Net cash provided by operating activities	<u>103,931</u>	<u>834,517</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, property and equipment	(19,151)	(38,513)
Disposition of buildings, property and equipment	-	610
Depreciation and amortization	32,409	35,654
Sales (Purchases) of investments	(86,342)	(311,498)
Construction in process for new location	(123,158)	(386,517)
Security Deposits	3,140	-
Net cash provided by investing activities	<u>(193,102)</u>	<u>(700,264)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on notes payable	(9,501)	(8,833)
Net cash provided by financing activities	<u>(9,501)</u>	<u>(8,833)</u>
Net cash increase for period	(98,672)	125,420
Cash at beginning of period (NOTE B)	215,265	89,845
Cash at end of period	<u>\$ 116,593</u>	<u>\$ 215,265</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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, 2015 and 2014

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:

In 2014, donor-bequested real estate was received by 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 2014 accounts receivable; closing costs and amounts payable to the other beneficiary of \$15,837 are included in 2014 accounts payable.

PROPERTY & EQUIPMENT:

Acquisitions of property and equipment in excess of \$2,500 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 2015 and 2014 was \$31,588 and \$30,850 respectively.

Property and equipment at December 31, 2015 and 2014 is as follows:

<u>Description of Asset</u>	<u>2015</u>	<u>2014</u>
Building	\$ 1,043,619	\$ 1,043,619
Clinical Equipment	23,292	23,292
Computer Equipment	6,731	3,951
Equipment	90,683	90,683
Furniture and fixtures	11,816	11,816
Land and Improvements	423,737	423,737
Mobile Trailer	16,371	-
Signs	29,201	29,201
Vehicles	39,165	39,165
Total	<u>\$ 1,684,615</u>	<u>\$ 1,665,464</u>
Less: Accumulated Depreciation	<u>(782,549)</u>	<u>(750,961)</u>
Total Property and Equipment	<u>\$ 902,066</u>	<u>\$ 914,503</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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 rate 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. In 2016, the mortgage was renewed and extended through June 23, 2023. 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, 2015 and 2014 are as follows:

<u>Description of Asset</u>	<u>2015</u>	<u>2014</u>
Loan Costs (from 2001 mortgage)	\$ 12,319	\$ 12,319
Less: Accumulated Amortization	(12,113)	(11,292)
Total Loan Costs	<u>\$ 206</u>	<u>\$ 1,027</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:

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

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.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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

REVENUE RECOGNITION (continued):

The Organization does not actively seek promises to give. There were no known open pledges at year-end and, therefore, no allowance for uncollectible promises receiveable. The Organization also does not recognize a bequest until receipt is certain and the amount can be determined.

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 received for the following purposes during 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Angel Medical Fund	\$ 9,380	\$ 18,287
Grant for staff training cost	1,290	-
Building Fund	<u>41,050</u>	<u>108,460</u>
Total Temporarily Restricted Assets Received	\$ 51,720	\$ 126,747

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:

	<u>2015</u>	<u>2014</u>
Angel Medical Fund	\$ 7,189	\$ 3,104
Building Fund	<u>123,878</u>	<u>28,277</u>
Total Temporarily Restricted Assets Released for Use	\$ 131,067	\$ 31,381

Temporarily restricted net assets available for the following purposes as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Angel Medical Fund	\$ 21,782	\$ 19,591
Scholarship for training	1,290	-
Building Fund	<u>9,159</u>	<u>91,987</u>
Total Temporarily Restricted Assets	\$ 32,231	\$ 111,578

Permanently restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
Land for animal shelter at 6781 San Casa	30,371	30,371

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

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 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 \$21,581 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)	including cash equivalents
Investments at December 31, 2014	\$ 50,001	\$ 550,264	\$ (5,977)	\$ 594,288
Gifts and additions to investments	\$ 257,787	\$ -	\$ -	\$ 257,787
Securities Purchased	(434,066)	434,066	-	-
Securities Sold	266,617	(266,617)	-	-
Investment Fees	(6,950)	(110)	-	(7,060)
Dividend and interest income	11,781	296	-	12,077
Realized gains (losses)	4,907	914	-	5,821
Unrealized gains (losses)	-		(32,280)	(32,280)
Amounts transferred for operating	(150,004)		-	(150,004)
Investments at December 31, 2015	\$ 73	\$ 718,813	\$ (38,257)	\$ 680,629

Fair Value Hierarchy

The Organization groups its investment assets generally measured at fair value in three levels, based on the markets in which these assets are 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	Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$ 73	\$ 73	\$ -	\$ -
Available for Sale Securities:				
Open End Mutual Funds	658,975	658,975	-	-
Common Trust Funds	21,581	-	-	21,581
Investments at December 31, 2015	\$ 680,629	\$ 659,048	\$ -	\$ 21,581

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2015 and 2014

NOTE E - INVENTORY:

The Organization maintains an inventory of donated items that are sold in their three thrift store locations. For 2015 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. A physical count had not been performed in 2014 and was completed on June 30, 2015 with a valuation of \$51,512.96. Medical inventory was determined to be 15.69% of clinic revenues. Based on this calculation, inventory for December 31, 2014 was estimated at \$43,171. A physical count was performed at the end of 2015 with a valuation of \$12,530.

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:

	<u>Total</u>	<u>Outreach</u>	<u>Animal Care</u>	<u>Clinic</u>	<u>Management & General</u>	<u>Fundraising</u>
Direct Program Expenses	\$ 344,038	\$ 2,449	\$ 242,428	\$ 82,955	\$ 2,739	\$ 13,467
Other Expenses:						
Payroll	1,128,053	54,935	729,857	165,407	93,790	84,064
Facilities	339,177	3,392	227,249	81,402	13,915	13,219
Depreciation & Amortization	32,409	2,065	16,205	6,482	7,658	-
Insurance	25,774	91	4,455	8,442	7,776	5,010
Technology	19,474	197	3,750	1,566	2,964	10,997
Office & Admin	142,547	7,303	44,432	12,899	35,405	42,508
Interest	14,097	1,019	4,076	2,012	3,771	3,219
Total Other Exp	<u>1,701,531</u>	<u>69,002</u>	<u>1,030,023</u>	<u>278,210</u>	<u>165,279</u>	<u>159,017</u>
Total Expenses	\$ 2,045,569	\$ 71,451	\$ 1,272,451	\$ 361,165	\$ 168,018	\$ 172,484