



MERCIER CPA ASSOCIATES, PA

Certified Public Accountants

SUNCOAST HUMANE SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2016 and 2015

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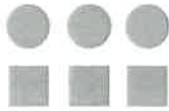
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MERCIER CPA ASSOCIATES, PA
Certified Public Accountants

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2016. Suncoast has adopted ASU-2015-11 to record inventory at lower of cost or net realizable value. An adjustment was made to December 31, 2015 inventory to remove the value of donated thrift store inventory and conform with the accounting principles used in the current year. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, 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
January 4, 2018

Suncoast Humane Society, Inc.
Statements of Financial Position

December 31, 2016 and 2015

	2016	2015 as restated (Note E)
ASSETS:		
Cash and cash equivalents	\$ 137,046	\$ 84,362
Temporarily restricted cash	26,125	32,231
Short-term investments (NOTE D)	64	73
Inventories (NOTE E)	7,951	12,530
Prepaid expenses	6,230	8,477
Land, buildings and equipment (NOTE B)	942,799	902,066
Loan costs (net of amortization) (NOTE B)	6,709	206
Long term investments (NOTE D)	462,193	680,556
New facility costs	125,708	123,158
Security deposits	16,241	16,241
TOTAL ASSETS	\$ 1,731,066	\$ 1,859,900
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 143,566	\$ 13,351
Accrued payroll liabilities	3,882	4,643
Sales tax payable	4,946	4,128
Installment Loans	54,622	-
Current portion of mortgage payable	15,400	9,501
Total current liabilities	222,416	31,623
 Long-term liabilities:		
Mortgage payable, less current portion	287,273	295,414
Total long-term liabilities	287,273	295,414
Total liabilities	509,689	327,037
 Net Assets:		
Unrestricted	1,121,340	1,470,261
Temporarily restricted (NOTE C)	69,666	32,231
Permanently restricted (NOTE C)	30,371	30,371
Total net assets	1,221,377	1,532,863
TOTAL LIABILITIES AND NET ASSETS	\$ 1,731,066	\$ 1,859,900

Suncoast Humane Society, Inc.
Statements of Activities
December 31, 2016 and 2015

	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenue, gains and other support:					
Contributions and Grants	\$ 382,421	\$ 49,255	\$ -	\$ 431,676	\$ 784,271
Outreach Revenue (NOTE B)	274,349	-	-	274,349	233,565
Animal Care and Clinic Revenue (NOTE B)	426,477	-	-	426,477	382,573
Retail Revenue	725,341	-	-	725,341	688,454
Investment Returns (NOTE D)	37,210	-	-	37,210	(14,382)
Net assets released from restrictions (NOTE C)	11,820	(11,820)	-	-	-
Total Revenues, gains, and other support	1,857,618	37,435	-	1,895,053	2,074,481
Expenses and losses:					
Outreach Program Expenses	66,814	-	-	66,814	71,451
Animal Care and Clinic Expenses	1,263,150	-	-	1,263,150	1,633,616
Thrift Store and Fundraising Expenses	779,352	-	-	779,352	172,484
Management and General Expenses	97,223	-	-	97,223	168,018
Total Expenses (NOTE F)	2,206,539	-	-	2,206,539	2,045,569
Change in net assets	(348,921)	37,435	-	(311,486)	28,912
Net assets at beginning of year	1,470,261	32,231	30,371	1,532,863	1,668,713
Net assets at end of year	\$ 1,121,340	\$ 69,666	\$ 30,371	\$ 1,221,377	\$ 1,697,625

Suncoast Humane Society, Inc.

Statements of Cash Flows

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (311,486)	\$ 28,912
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation receivable	-	97,624
Inventory	4,579	6,221
Prepaid expenses	3,570	(1,501)
Increase (decrease) in liabilities:	-	
Accounts payable and accrued expenses	128,950	(27,325)
Net cash provided by operating activities	<u>(174,387)</u>	<u>103,931</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, property and equipment	(82,451)	(19,151)
Disposition of buildings, property and equipment	-	-
Depreciation and amortization	35,215	32,409
Sales (Purchases) of investments	218,371	(86,342)
Construction in process for new location	(2,550)	(123,158)
Security Deposits	-	3,140
Net cash provided by investing activities	<u>168,585</u>	<u>(193,102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
New vehicle loans	54,622	-
Principal repayments on notes payable	(2,242)	(9,501)
Net cash provided by financing activities	<u>52,380</u>	<u>(9,501)</u>
Net cash increase for period	46,578	(98,672)
Cash at beginning of period (NOTE B)	116,593	215,265
Cash at end of period	<u>\$ 163,171</u>	<u>\$ 116,593</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 2016 and 2015 was \$35,454 and \$31,588 respectively.

Property and equipment at December 31, 2016 and 2015 is as follows:

<u>Description of Asset</u>	<u>2016</u>	<u>2015</u>
Building	\$ 1,053,075	\$ 1,043,619
Clinical Equipment	23,292	23,292
Computer Equipment	6,731	6,731
Equipment	90,683	90,683
Furniture and fixtures	11,816	11,816
Land and Improvements	423,737	423,737
Mobile Trailer	16,371	16,371
Signs	29,201	29,201
Vehicles	70,747	39,165
Total	<u>\$ 1,725,653</u>	<u>\$ 1,684,615</u>
Less: Accumulated Depreciation	<u>(782,854)</u>	<u>(782,549)</u>
Total Property and Equipment	<u>\$ 942,799</u>	<u>\$ 902,066</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 July 2016, the Organization refinanced their mortgage with a \$310,000 mortgage that matures 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 Drive, Englewood, FL. The interest rate on the prior mortgage 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 current mortgage is 4.484%. The loan costs for the 2001 mortgage were being recognized over the fifteen year life of the loan at a rate of \$206 per year. The loan costs for the 2016 mortgage are being recognized over the seven year life of the loan at a rate of \$516 per year.

Loan costs and amortization expense as of December 31, 2016 and 2015 are as follows:

<u>Description of Asset</u>	<u>2016</u>	<u>2015</u>
Loan Costs (from 2001 mortgage)	\$ -	\$ 12,319
Loan Costs (from 2016 mortgage)	7,225	-
Less: Accumulated Amortization	<u>(516)</u>	<u>(12,113)</u>
Total Loan Costs	<u>\$ 6,709</u>	<u>\$ 206</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 purposes intended, temporarily restricted assets are reclassified as unrestricted net assets and reported on the statement of activities as net assets released from 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):

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 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. There were no bequests in process at year-end.

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 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Angel Medical Fund	\$ 27,255	\$ 9,180
Grant for staff training cost	-	1,290
Building Fund	<u>22,000</u>	<u>41,050</u>
Total Temporarily Restricted Assets Received	\$ 49,255	\$ 51,520

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>2016</u>	<u>2015</u>
Angel Medical Fund	\$ 9,789	\$ 7,189
Grant for staff training cost	200	-
Building Fund	<u>1,831</u>	<u>123,878</u>
Total Temporarily Restricted Assets Released for Use	\$ 11,820	\$ 131,067

Temporarily restricted net assets available for the following purposes as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Angel Medical Fund	\$ 39,248	\$ 21,782
Scholarship for training	1,090	1,290
Building Fund	<u>29,328</u>	<u>9,159</u>
Total Temporarily Restricted Assets	\$ 69,666	\$ 32,231

Permanently restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</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 \$22,702 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, 2015	\$ 73	\$ 718,813	\$ (38,257)	\$ 680,629
Gifts and additions to investments	\$ -	\$ -	\$ -	\$ -
Securities Purchased	(100,534)	100,534	-	-
Securities Sold	335,901	(335,901)	-	-
Investment Fees	(5,582)	-	-	(5,582)
Dividend and interest income	9,652	-	-	9,652
Realized gains (losses)	10,554	-	-	10,554
Unrealized Gains (losses)	-	-	17,004	17,004
Amounts transferred for operating	(250,000)	-	-	(250,000)
Investments at December 31, 2016	\$ 64	\$ 483,446	\$ (21,253)	\$ 462,257

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	\$ 64	\$ 64	\$ -	\$ -
Available for Sale Securities:				
Open End Mutual Funds	439,491	439,491	-	-
Common Trust Funds	22,702	-	-	22,702
Investments at December 31, 2016	\$ 462,257	\$ 439,555	\$ -	\$ 22,702

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

NOTE E - 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. For 2015 and prior years, the fair value of this inventory was calculated using a turnover ratio of four times per year.

Effective December 15, 2016, Accounting standards (ASU-2015-11) now requires inventory to be valued at the lower of cost and net realizable value. The donated inventory valued at \$164,762 has been removed from the December 31, 2015, inventory figure for comparison purposes and offset with an adjustment to unrestricted net assets.

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	\$ 424,689	\$ 6,921	\$ 241,823	\$ 131,758	\$ 13,103	\$ 31,084
Other Expenses:						
Payroll	1,181,346	55,989	601,668	154,498	21,542	347,649
Facilities	408,717	805	58,553	11,275	18,110	319,974
Depreciation & Amortization	35,937	300	27,000	600	7,737	300
Insurance	21,071	330	2,805	1,238	13,233	3,465
Technology	9,098	-	-	-	-	9,098
Office & Admin	108,505	1,907	17,548	7,494	17,149	64,407
Interest	17,176	562	4,781	2,109	6,349	3,375
Total Other Exp	1,781,850	59,893	712,355	177,214	84,120	748,268
Total Expenses	\$ 2,206,539	\$ 66,814	\$ 954,178	\$ 308,972	\$ 97,223	\$ 779,352