

FLAGLER COUNTY HUMANE SOCIETY, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED SEPTEMBER 30, 2015**

FLAGLER COUNTY HUMANE SOCIETY, INC.

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Barnier & Webber, LLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Flagler County Humane Society, Inc.
1 Shelter Drive
Palm Coast, FL 32164

To the Board of Directors:

We have audited the accompanying statements of financial position of Flagler County Humane Society, Inc. (a not-for-profit organization) as of September 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Flagler County Humane Society, Inc. as of September 30, 2015, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BARNIER & WEBBER, CPA's, LLC

Palm Coast, Florida
February 29th, 2016

FLAGLER COUNTY HUMANE SOCIETY, INC.
Statement of Financial Position
September 30, 2015

| | Unrestricted | Temporarily Restricted | Permenantly Restricted | Total |
|--------------------------------------------|---------------------|---------------------------|---------------------------|---------------------|
| <u>ASSETS</u> | | | | |
| Current Assets | | | | |
| Cash and Cash Equivalents | \$ 204,840 | \$ - | \$ - | \$ 204,840 |
| Accounts Receivable | 32,641 | - | - | 32,641 |
| Inventories | 7,424 | - | - | 7,424 |
| Prepaid Expenses | 2,704 | - | - | 2,704 |
| Total Current Assets | <u>247,609</u> | - | - | <u>247,609</u> |
| Property and Equipment | | | | |
| Equipment and Vehicles | 97,655 | - | - | 97,655 |
| Furniture and Office Equipment | 21,710 | - | - | 21,710 |
| Land and Buildings | 1,475,905 | - | - | 1,475,905 |
| Accumulated Depreciation | (500,809) | - | - | (500,809) |
| Total Property and Equipment | <u>1,094,461</u> | - | - | <u>1,094,461</u> |
| Intangible Assets, Net | <u>2,419</u> | - | - | <u>2,419</u> |
| Total Assets | <u>\$ 1,344,489</u> | \$ - | \$ - | <u>\$ 1,344,489</u> |
| <u>LIABILITIES & NET ASSETS</u> | | | | |
| Current Liabilities | | | | |
| Accounts Payable | \$ 16,353 | \$ - | \$ - | \$ 16,353 |
| Deferred Revenue | - | - | - | - |
| Current Portion of Long-term Liabilities | 7,023 | - | - | 7,023 |
| Other Liabilities | 39,309 | - | - | 39,309 |
| Total Current Liabilities | 62,685 | - | - | 62,685 |
| Long-term Liabilities | | | | |
| Notes Payable, net of current portion | 112,047 | - | - | 112,047 |
| Total Liabilities | <u>174,732</u> | - | - | <u>174,732</u> |
| NET ASSETS | | | | |
| Unrestricted | 1,169,757 | - | - | 1,169,757 |
| Temporarily Restricted | - | - | - | - |
| Permanently Restricted | - | - | - | - |
| Total Net Assets | <u>1,169,757</u> | - | - | <u>1,169,757</u> |
| TOTAL LIABILITIES & NET ASSETS | <u>\$ 1,344,489</u> | \$ - | \$ - | <u>\$ 1,344,489</u> |

See Accompanying Independent Auditor's Report and Notes to Financial Statements

FLAGLER COUNTY HUMANE SOCIETY, INC.
Statement of Activities
For the Year Ended September 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|--------------------------------|--------------------|---------------------------|---------------------------|--------------------|
| REVENUES AND SUPPORT | | | | |
| Program Service Fees | \$ 516,230 | \$ - | \$ - | \$ 516,230 |
| Sales of Supplies | 23,234 | - | - | 23,234 |
| Thrift Store Sales | 289,870 | - | - | 289,870 |
| Contributions | 287,924 | - | - | 287,924 |
| Fundraisers and Special Events | 53,455 | - | - | 53,455 |
| Investment Income | - | - | - | - |
| Other Revenue | 41,676 | - | - | 41,676 |
| | <hr/> | | | |
| Total Revenue | 1,212,389 | - | - | 1,212,389 |
| OPERATING EXPENSES | | | | |
| Program Services | | | | |
| Animal Care | 562,560 | - | - | 562,560 |
| Supporting Services | | | | |
| Management & General | 377,418 | - | - | 377,418 |
| Thrift Shop | 137,724 | - | - | 137,724 |
| Fund Raising | 15,785 | - | - | 15,785 |
| | <hr/> | | | |
| Total Expense | 1,093,487 | - | - | 1,093,487 |
| CHANGE IN NET ASSETS | | | | |
| | 118,902 | - | - | 118,902 |
| NET ASSETS, BEGINNING | | | | |
| | 1,050,855 | - | - | 1,050,855 |
| NET ASSETS, ENDING | | | | |
| | <u>\$1,169,757</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$1,169,757</u> |

See Accompanying Independent Auditor's Report and Notes to Financial Statements

FLAGLER COUNTY HUMANE SOCIETY, INC.
Statement of Functional Expenses
For the Year Ended September 30, 2015

| | Animal Care | Management and General | Thrift Shop | Fundraising | Total |
|----------------------------------|------------------|---------------------------|------------------|-----------------|--------------------|
| COMPENSATION AND BENEFITS | | | | | |
| Compensation | \$291,662 | \$180,758 | \$47,027 | \$ - | \$519,447 |
| Payroll Taxes | 26,194 | 16,234 | 4,224 | - | 46,652 |
| Total Compensation and Benefits | 317,856 | 196,992 | 51,251 | - | 566,099 |
| OTHER OPERATING EXPENSES | | | | | |
| Advertising | - | 7,899 | - | - | 7,899 |
| Animal Supplies and Services | 181,055 | - | - | - | 181,055 |
| Bank and Credit Card Fees | - | 17,048 | - | - | 17,048 |
| Depreciation and Amortization | 40,584 | 1,258 | - | - | 41,842 |
| Fundraising Expenses | - | - | - | 13,490 | 13,490 |
| Insurance | 8,425 | 38,442 | 1,778 | 2,295 | 50,940 |
| Interest | - | 6,180 | - | - | 6,180 |
| Licenses and Permits | 25 | - | - | - | 25 |
| Miscellaneous | - | 6,260 | - | - | 6,260 |
| Occupancy | - | 38,289 | 80,526 | - | 118,815 |
| Office Expense | - | 21,011 | - | - | 21,011 |
| Postage | - | 2,326 | - | - | 2,326 |
| Professional Fees | - | 3,750 | - | - | 3,750 |
| Repairs and Maintenance | - | 27,796 | 2,003 | - | 29,799 |
| Telephone | 1,116 | 10,557 | 2,166 | - | 13,840 |
| Vehicle Expenses | 13,109 | - | - | - | 13,109 |
| Total Other Operating Expense | 244,314 | 180,816 | 86,473 | 15,785 | 527,388 |
| TOTAL EXPENSES | \$562,170 | \$377,808 | \$137,724 | \$15,785 | \$1,093,487 |

See Accompanying Independent Auditor's Report and Notes to Financial Statements

FLAGLER COUNTY HUMANE SOCIETY, INC.
Statement of Cash Flows
For the Year Ended September 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-------------------------------------------------------------------------------------------------------|-------------------|---------------------------|---------------------------|-------------------|
| Cash Flows From Operating Activities | | | | |
| Change in Net Assets | \$ 118,902 | \$ - | \$ - | \$ 118,902 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | | |
| Depreciation and Amortization | 41,842 | - | - | 41,842 |
| Decreases (Increases) in Certain Assets: | | | | |
| Accounts Receivable | 31,381 | - | - | 31,381 |
| Inventory | - | - | - | - |
| Prepaid Expenses | (865) | - | - | (865) |
| Other Current Assets | - | - | - | - |
| Increases (Decreases) in Certain Liabilities: | | | | |
| Accounts Payable | 7,812 | - | - | 7,812 |
| Deferred Revenue | (31,100) | - | - | (31,100) |
| Other Current Liabilities | (462) | - | - | (462) |
| Net Cash Provided by (Used In) Operating Activities | <u>167,510</u> | <u>-</u> | <u>-</u> | <u>167,510</u> |
| Cash Flows From Investing Activities | | | | |
| Purchase of Property and Equipment | (23,327) | - | - | (23,327) |
| Sale of Property and Equipment | - | - | - | - |
| Principal Payments on Notes Payable | (7,803) | - | - | (7,803) |
| Net Cash Provided by (Used In) Investing Activities | <u>(31,130)</u> | <u>-</u> | <u>-</u> | <u>(31,130)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | <u>136,380</u> | <u>-</u> | <u>-</u> | <u>136,380</u> |
| Cash and Cash Equivalents, Beginning of Period | <u>68,460</u> | <u>-</u> | <u>-</u> | <u>68,460</u> |
| Cash and Cash Equivalents, End of Period | <u>\$ 204,840</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 204,840</u> |

See Accompanying Independent Auditor's Report and Notes to Financial Statements

FLAGLER COUNTY HUMANE SOCIETY, INC.
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies

A. Organization Activities

The Flagler County Humane Society, Inc. (The Society) was established in 1980 as a not-for-profit organization to provide an animal shelter for care, remedial treatment, and cruelty prevention. The Society is supported primarily through donor contributions and fees for services.

B. Basis of Accounting

The Society follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

C. Cash and Cash Equivalents

The Society considers all highly liquid cash instruments with a maturity of three months or less to be cash equivalents.

D. Financial Statements

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in ASC 958, Not-for-Profit Entities Presentation of Financial Statements, using the accrual basis of accounting.

These financial statements present unrestricted, temporarily restricted, and permanently restricted net assets to reflect donor imposed limitations and restrictions placed on resources available to the Society.

E. Net Assets

Unrestricted Net Assets – The unrestricted net asset class includes the general and board designated assets and liabilities of the Society. Revenue and support received by the Society without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted by the Society. In general, the unrestricted net assets of the Society may be used at the discretion of the Society's management and board of directors to support the Society's purposes and operations.

Temporarily Restricted Net Assets – The temporarily restricted net asset class includes expendable assets and related liabilities of the Society. These assets relate to gifts with explicit time or purpose restrictions that have not yet been met. When the time or purpose restriction is met, these assets are re-classified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted Net Assets – The permanently restricted net asset class includes assets and related liabilities of the Society related to contributions for which the donor has restricted the investment of the gift corpus in perpetuity. The income generated from the investment of corpus is available for the Society's operations in accordance with donor restrictions. Appreciation related to the permanently restricted net assets, if not specifically restricted otherwise, follows the donor's income restriction and is included in the appropriate unrestricted or temporarily restricted net asset class.

FLAGLER COUNTY HUMANE SOCIETY, INC.
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

F. Contributions

Contributions, including unconditional promises to give, are recorded as received. All contributions are considered to be available for the general programs of the Society unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are reflected as short-term contributions receivable and are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reflected as long-term contributions receivable and are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received. The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

G. Investments

Investments are stated at fair value. To calculate realized gain or loss on the disposition of investments and unrealized gains and losses, cost is determined by specific identification. All gains and losses and ordinary income from investments are accounted for as unrestricted revenue unless it is restricted for a specific purpose by the donor of the related investment.

H. Accounts Receivable

The accounts receivable arise from fees charges to local municipalities for animal care and shelter. Accounts are charges to bad debt expense as they are deemed uncollectible based upon a periodic review of the accounts.

I. Inventories

Inventories, which consist of animal supplies for resale and medical supplies, are carried at the lower of cost or market determined on a first-in, first-out basis.

J. Property And Equipment

Purchases of property and equipment having a unit cost of \$1,000 or more and an estimated useful life of five years or more are capitalized at cost. Donated assets are capitalized at the estimated fair-market value at the time of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets which range from 5 to 39 years. In the absence of donor imposed restrictions on the use of an asset, gifts of long-lived assets are reported as unrestricted contributions.

K. Donated Services

A substantial number of volunteers donate significant amounts of their time to the Society's programs and supporting services. Such services have not been reflected in the accompanying financial statements because these services do not meet the criteria for recognition as contributed services.

FLAGLER COUNTY HUMANE SOCIETY, INC.
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE 1 – Organization and Summary of Significant Accounting Policies (continued)

L. Income Taxes

The Society qualifies for exemption from federal income taxation under Internal Revenue Code (IRC) Section 501(c)(3) and is not classified as a private foundation under IRC Section 509(a)(2). Accordingly, the accompanying financial statements do not reflect a provision for income taxes.

M. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

N. 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 services benefited.

O. Fair Value of Financial Instruments

The following methods and assumptions were used by the Society to estimate the fair market values of financial instruments as disclosed herein. All investments are based on level 1 in accordance with generally accepted accounting standards.

Cash and cash equivalents, investments and short-term contributions receivable:

The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Long-term contributions receivable:

The fair value of promises to give that are due in more than one year are estimated by discounting the future cash flows using a current risk-free rate of return based on the yield of a U.S. Treasury security with a maturity date similar to the expected collection periods.

NOTE 2 – Investments

The Society did not maintain any investment accounts as of September 30, 2015.

NOTE 3 – Promises to Give

Contributions receivable consist of amounts donated through bequests by deceased donors. The amounts reflected are an estimate as to what will be collected at the time the estate is settled, and is determined based on the asset and beneficiary disclosure filed by the donors attorney in the estate proceeding.

FLAGLER COUNTY HUMANE SOCIETY, INC.
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE 4 – Property and Equipment

Property and Equipment for the Society consists of the following:

| | | |
|--------------------------------|--|---------------------|
| Land | | \$ 101,210 |
| Building and improvements | | 1,374,695 |
| Equipment | | 52,262 |
| Furniture and office equipment | | 21,710 |
| Vehicles | | <u>45,393</u> |
| Less: Accumulated Depreciation | | (500,809) |
| Property and Equipment, Net | | <u>\$ 1,094,461</u> |

NOTE 5 – Retirement Plan

The Society maintained a 401(k) plan for the benefit of its full time employees. The plan was terminated as of September 30, 2011. As such, there were no contributions made to the plan for the reporting period. As of September 30, 2015 there were assets remaining in the plan totalling \$511.00, which represent assets that have not yet been rolled out of the plan by prior plan participants.

NOTE 6 – Restriction of Net Assets

The Society does not currently have any temporarily restricted or permanently restricted net assets.

NOTE 7 – Commitments

The Society leases a storefront for its thrift store operation. The current lease is for \$5,700, plus property taxes, insurance, sales taxes, and common area maintenance. The lease is expiring on March 31, 2016.

The Society leases a copy machine. The current lease payment is \$325, including tangible property taxes, insurance, and sales taxes. The lease is expiring on August 31, 2015. Lease payments for the year ended September 30th, 2015 were \$3,965.

FLAGLER COUNTY HUMANE SOCIETY, INC.
Notes to Financial Statements
For the Year Ended September 30, 2015

NOTE 8 – Notes Payable

The Society has a note payable to a bank in monthly installments of \$1,075.54 including interest at a rate of 5.15%. The note matures on September 30, 2032. \$ 119,070

| | |
|-------------------------|------------|
| Less Current Maturities | (7,023) |
| | \$ 112,047 |

A schedule of maturities of Notes Payable is as follows:
Year-Ended September 30

| | |
|-----------------|------------|
| 2016 | \$ 7,023 |
| 2017 | 7,394 |
| 2018 | 7,784 |
| 2019 | 8,194 |
| 2020 | 8,626 |
| 2021 and beyond | 80,049 |
| | \$ 119,070 |

NOTE 9 – Supplemental Cash Flow Information

For the year ended September 30, 2015, there were interest payments of \$6,180. In addition, there were no significant non-cash transactions.

NOTE 10 – Subsequent Events

Subsequent Events were evaluated as of January 31, 2016. There were no subsequent events requiring disclosure in the notes to financial statements.