

**MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2014**

**ROGER K. STEIN**  
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MEMBER:  
NEW JERSEY SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

TO: THE BOARD OF TRUSTEES  
MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
EATONTOWN, NEW JERSEY

I have audited the accompanying financial statements of the Monmouth County Society for the Prevention of Cruelty to Animals (a not-for-profit organization) which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**


My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Monmouth County Society for the Prevention of Cruelty to Animals as of December 31, 2014 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.



ROGER K. STEIN  
Certified Public Accountant

May 18, 2015

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2014

ASSETS

Current Assets:

Cash	\$	535,342
Cash - restricted		268,379
Accounts receivable		14,935
Prepaid expenses		24,455
<u>Total Current Assets</u>		843,111

Property, Buildings and Equipment:

Land		14,265
Building and improvements		7,704,006
Equipment and furniture		632,367
Transportation equipment		206,163
		8,556,801
Less: accumulated depreciation		(2,265,435)
<u>Net Property, Buildings and Equipment</u>		6,291,366

Other Assets:

Finance costs, net of accumulated amortization		14,279
Investments		3,707,640
<u>Total Other Assets</u>		3,721,919

<u>Total Assets</u>	\$	10,856,396
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LIABILITIES

Current Liabilities:

Accounts payable	\$	126,783
Accrued expenses		104,684
Mortgage payable - current portion		34,283
		265,750

Other Liabilities:

Mortgage payable - long term portion		2,390,717
		2,390,717

<u>Total Liabilities</u>		2,656,467
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NET ASSETS

Unrestricted		7,835,004
Temporarily restricted		364,925
<u>Total Net Assets</u>		8,199,929

<u>Total Liabilities and Net Assets</u>	\$	10,856,396
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The accompanying notes are an integral  
part of these Financial Statements.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Program fees - Animal Services	\$ 474,941	\$ -	\$ 474,941
Program fees - Medical Clinic	725,653	-	725,653
Program fees - Community Services	141,401	-	141,401
Program fees and fines - Law Enforcement	49,241	-	49,241
Sales - Animal Supplies	166,435	-	166,435
Animal housing contracts	98,385	-	98,385
Donations	1,180,615	407,701	1,588,316
Fund-raisers - Gross revenues of \$ 580,323			
Less expenses of (187,565)	392,758	-	392,758
Bequests	560,839	-	560,839
Investment income	223,640	-	223,640
Net unrealized and realized gains on investments	183,430	-	183,430
	<u>4,197,338</u>	<u>407,701</u>	<u>4,605,039</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	279,515	(279,515)	-
Total revenues, gains, and other support	<u>4,476,853</u>	<u>128,186</u>	<u>4,605,039</u>
Expenses:			
Program services	4,045,300	-	4,045,300
Supporting services			
Management and general	339,312	-	339,312
Fund-raising	396,012	-	396,012
	<u>4,780,624</u>	<u>-</u>	<u>4,780,624</u>
<u>Change in net assets</u>	<u>(303,771)</u>	<u>128,186</u>	<u>(175,585)</u>
Net assets at beginning of year	<u>8,138,775</u>	<u>236,739</u>	<u>8,375,514</u>
Net assets at end of year	<u>\$ 7,835,004</u>	<u>\$ 364,925</u>	<u>\$ 8,199,929</u>

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MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Program Services</u>					<u>Supporting Services</u>		
	Animal Services	Medical Clinic	Community Services	Law Enforcement	Program Services Total	Management and General	Fund- raising	Supporting Services Total
Salaries and wages	\$ 1,086,122	\$ 284,257	\$ 102,563	\$ 137,377	\$ 1,610,319	\$ 198,330	\$ 168,223	\$ 366,553
Payroll taxes	147,329	38,558	13,912	16,028	215,827	26,903	22,819	49,722
Employee benefits	164,773	43,124	15,560	8,286	231,743	30,088	25,521	55,609
Utilities	122,945	16,454	709	710	140,818	945	210	1,155
Supplies, drugs and food	301,994	203,597	64,341		569,932			-
Merchandise supplies	97,463				97,463			-
Professional fees				10,305	10,305	26,301		26,301
Medical assistance	72,677	158,661			231,338			-
Education			20,103	1,170	21,273	399		399
Insurance	112,578	56,547	3,271	26,482	198,878	10,919	4,640	15,559
Telephone	5,041	1,319	476	1,790	8,626	921	781	1,702
Maintenance and repairs	127,387	17,049	735	735	145,906	979	216	1,195
Advertising, public relations and newsletter	448	4,314			20,986			-
Office and general	99,625	40,799	6,375	790	147,589	12,328	10,457	22,785
Rent	19,068				19,068			-
Depreciation	211,539	28,263	1,355	1,356	242,513	13,007	15,847	28,854
Amortization	400	54	2	3	459	25	30	55
Auto and travel	2,955	80		7,974	11,009	12,182	1,975	14,157
Law enforcement				9,649	9,649			-
Fund-raising expense					-		138,001	138,001
Interest	97,345	13,006	624	624	111,599	5,985	7,292	13,277
<b>Total</b>	<b>\$ 2,669,689</b>	<b>\$ 906,082</b>	<b>\$ 246,250</b>	<b>\$ 223,279</b>	<b>\$ 4,045,300</b>	<b>\$ 339,312</b>	<b>\$ 396,012</b>	<b>\$ 735,324</b>

The accompanying notes are an integral  
part of these Financial Statements.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$	(175,585)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		271,880
Net unrealized and realized gains on investments		(183,430)
Non cash contribution of assets		(90,657)
(Increase) decrease in operating assets:		
Cash restricted		(255,135)
Accounts receivable		(3,447)
Prepaid expenses		30,639
Increase (decrease) in operating liabilities:		
Accounts payable		16,347
Accrued expenses		16,223
		(373,165)
<u>NET CASH USED BY OPERATING ACTIVITIES</u>		(373,165)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		(288,363)
Purchase of investments		(1,908,129)
Sale of investments		2,983,800
		787,308
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>		787,308

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable		(17,597)
Reduction of line of credit		(199,793)
Proceeds of mortgage		165,876
		(51,514)
<u>NET CASH USED BY FINANCING ACTIVITIES</u>		(51,514)

NET INCREASE IN CASH		362,629
CASH AT JANUARY 1, 2014		172,713
CASH AT DECEMBER 31, 2014	\$	535,342

The accompanying notes are an integral  
part of these Financial Statements.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

Note 1 - Summary of Significant Accounting Policies -

General - The Society is a not-for-profit organization which provides shelter and care for animals, humane law enforcement, informational services to the community regarding animal care, a clinic that spays and neuters animals as well as providing other care.

Contributions - Unconditional promises to give are recognized as revenue when the underlying promises are received by the Organization. If there is no unconditional promise, the contribution is recognized when received. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services - During the year ended December 31, 2014 the value of contributed services meeting the requirements for recognition in the financial statements totaled \$52,365. Of this amount, contributed veterinary technician services were \$46,302 and contributed accounting services were \$6,063. No amounts have been reflected in the financial statements for other contributed services; however, a substantial number of volunteers have donated significant amounts of their time in relation to the Organization's program services and other activities.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Program Fees and Accounts Receivable - The Organization charges fees for adoption, shelter, medical services, and animal supplies. The revenue is billed, collected and recognized when the service is rendered. The Organization has animal housing contracts with various towns in Monmouth County which are billed monthly. The Organization carries its accounts receivable at cost with no allowance for credit losses at December 31, 2014. On a periodic basis, the Organization evaluates its accounts receivable and, if necessary, establishes an allowance for credit losses.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight line and accelerated methods based on their estimated useful lives. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense, as incurred. Depreciation and amortization expense for the year was \$271,880.



MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

Note 1 - (continued)

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Advertising - All advertising costs are expensed in the period they are incurred.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization evaluates its uncertain tax positions and accordingly, a loss contingency is recognized when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2014, the Organization recognized no liability on uncertain tax positions.

Investments - The Organization's investments in marketable securities with readily determinable fair values and all investments in debt securities 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 a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Fair Value - The Organization has a number of financial instruments, none of which are held for trading purposes. The Organization estimates that the fair value of all financial instruments at December 31, 2014 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by the Organization using available market information and appropriate valuation methodologies. Marketable equity securities are valued at quoted prices in active markets for identical assets (Level I) and marketable debt securities are valued at significant other observable inputs (Level II). Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the Organization could realize in a current market exchange.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

Note 2 - Investments - Cost and fair value of investments at December 31, 2014 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Gross Fair Value</u>
Available for sale				
Certificates of Deposit \$	7,938	\$ -	\$ -	\$ 7,938
Equity Securities (Level I)				
Utilities & Energy	1,446,941	243,506	( 12,090)	1,678,357
Transportation	106,814	4,296	( 8,418)	102,692
Financial	127,672	36,924	( 570)	164,026
Technology	184,405	19,094	( 10,724)	192,775
Consumer Goods	363,463	48,311	( 29,798)	381,976
Healthcare/Drugs	141,650	25,580	( 11,470)	155,760
Mutual Funds	382,834	-	( 10,014)	372,820
	<u>2,753,779</u>	<u>377,711</u>	<u>( 83,084)</u>	<u>3,048,406</u>
Corporate Debt (Level II)				
Financial	198,282	10,375	( 98,282)	110,375
Bond Mutual Fund	560,175	-	( 19,254)	540,921
	<u>758,457</u>	<u>10,375</u>	<u>( 117,536)</u>	<u>651,296</u>
Total Investments	<u>\$3,520,174</u>	<u>\$ 388,086</u>	<u>\$( 200,620)</u>	<u>\$ 3,707,640</u>

Note 3 - Derivatives - Derivative contracts include forwards, futures, swaps and options, all of which are bilateral contracts or payment exchange agreements, whose values derive from the value of an underlying asset, reference rate or index. A forward contract obliges one party to buy and the other to sell, a specific underlying product or instrument at a specific price, amount, and date in the future. The Organization, through Merrill Lynch, sells options on stocks that they own.

Note 4 - Line of Credit - The Organization has a \$250,000 line of credit with Shore Community Bank, of which none was outstanding as of December 31, 2014. The rate is 4.25%. The line of credit, secured by a mortgage on the Eatontown property, is due to expire October 2015.

Note 5 - Mortgage Payable - The Organization has a mortgage note with Shore Community Bank of which \$2,425,000 was outstanding as of December 31, 2014. The mortgage note, secured by the Eatontown property, has payment terms as follows: Beginning May 1, 2014, 12 monthly payments of interest only at 3.75%; followed by 48 monthly payments of principal and interest at an interest rate of 4.75%; followed by 24 monthly payments of principal and interest at an interest rate of 5.5%; followed by 36 monthly payments of principal and interest at an interest rate adjusted per year to the 5-year US Treasury Note rate in effect on April 1, 2021 plus 3% per year, with a floor of 5.5%. The rate adjusts every five years beginning May 1, 2024 and thereafter. The mortgage note is due March 2039.

Principal payments due under the mortgage note are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2015	\$ 34,283
2016	53,500
2017	56,097
2018	58,821
Thereafter	<u>2,222,299</u>
	<u>\$ 2,425,000</u>

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

- Note 6 - Functional Allocation of Expenses - The costs of providing the various programs, fund-raising and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and fund-raising activities benefited.
- Note 7 - Cash Flows - For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization had a noncash financing transaction related to the payoff of the Valley National Bank mortgage in the amount of \$2,259,124. Total interest paid for the year was \$124,876.
- Note 8 - Professional Employer Service Agreement - The Organization has a professional employer service agreement with Extensis, LLC. All of the Organization's employees are leased from Extensis, LLC.
- Note 9 - Concentrations of Credit Risk - The Organization maintains cash balances at a financial institution which are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2014, the Organization's uninsured cash balances totaled \$208,109.
- Note 10 - Operating Lease - The Organization leases space in the Freehold Raceway Mall in Freehold, New Jersey, which has animals available for adoption and a retail store of animal products. Lease expense was \$18,000 for the year ended December 31, 2014. The lease expired in January 2015. In a subsequent event, the Organization signed for another one year term for \$19,200.
- Note 11 - Temporarily Restricted Net Assets - Activities related to temporarily restricted net assets in the current year are summarized as follows:

	Temporarily Restricted Net Assets- Beginning Of Year	Temporarily Restricted Donations Received During Year	Restrict- ions Satisfied by Payments	Temporarily Restricted Net Assets- End of Year
Animal Services	\$ 4,717	\$ 45,880	\$ 30,015	\$ 20,582
Medical Clinic	16,399	22,871	16,543	22,727
Pet Pantry	21,567	33,000	45,370	9,197
Pet Pantry - Building	175,000	305,950	169,833	311,117
Law Enforcement	3,000	-	1,698	1,302
Mortgage Reduction	<u>16,056</u>	<u>-</u>	<u>16,056</u>	<u>-</u>
Total	<u>\$ 236,739</u>	<u>\$ 407,701</u>	<u>\$ 279,515</u>	<u>\$ 364,925</u>

- Note 12 - Commitment - The Organization signed a contract in July 2014 in the amount of \$434,500 for the construction of a new kennel/food pantry building at the Eatontown location. The Organization incurred costs of \$148,500 on the contract in 2014, with a balance left on the contract of \$286,000 at December 31, 2014. In addition the Organization paid architect fees of \$18,157 in 2014 related to the construction of the building.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

- Note 13 - Litigation - The Organization was named as a defendant in a lawsuit filed in 2012 and also in another lawsuit filed in March 2014. Both were regarding the law enforcement division and were being handled by the insurance company. The insurance policy has a \$5,000 deductible.
- Note 14 - Subsequent Events - The Organization has evaluated subsequent events through May 18, 2015 which is the date the financial statements were available to be issued. In January 2015 the Organization extended the lease for the Freehold Raceway Mall space until January 2016.