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

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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MEMBER:
NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

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NEW JERSEY & NEW YORK

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 nonprofit organization) which comprise the statement of financial position as of December 31, 2015, 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

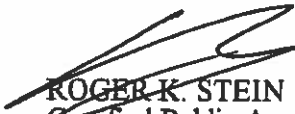
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether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

An audit involves 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, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



ROGER K. STEIN
Certified Public Accountant

June 16, 2016

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current Assets:

Cash	\$	525,938
Cash - restricted		2,689
Accounts receivable		33,503
Prepaid expenses		28,424
<u>Total Current Assets</u>		590,554

Property, Buildings and Equipment:

Land		14,265
Building and improvements		8,044,201
Equipment and furniture		667,980
Transportation equipment		206,163
		8,932,609
Less: accumulated depreciation		(2,545,243)
<u>Net Property, Buildings and Equipment</u>		6,387,366

Other Assets:

Finance costs, net of accumulated amortization of \$1,130		13,663
Investments		2,916,039
<u>Total Other Assets</u>		2,929,702

<u>Total Assets</u>	\$	9,907,622
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LIABILITIES

Current Liabilities:

Accounts payable	\$	169,514
Accrued expenses		159,821
Line of credit		225,000
Mortgage payable - current portion		53,697
		608,032

Other Liabilities:

Mortgage payable - long term portion		2,322,979
		2,322,979

<u>Total Liabilities</u>		2,931,011
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NET ASSETS

Unrestricted		6,757,144
Temporarily restricted		219,467
<u>Total Net Assets</u>		6,976,611

<u>Total Liabilities and Net Assets</u>	\$	9,907,622
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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, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support:			
Program fees - Animal Services	\$ 487,928	\$ -	\$ 487,928
Program fees - Medical Clinic	764,366		764,366
Program fees - Community Services	116,946		116,946
Program fees and fines - Law Enforcement	30,661		30,661
Sales - Animal Supplies	142,885		142,885
Animal control contracts	61,455		61,455
Donations	1,291,028	311,674	1,602,702
Fund-raisers - Gross revenues of \$ 569,233			
Less expenses of (137,945)	431,288		431,288
Bequests	182,164		182,164
Investment income	132,025		132,025
Net unrealized and realized losses on investments	(210,203)	-	(210,203)
	<u>3,430,543</u>	<u>311,674</u>	<u>3,742,217</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	457,132	(457,132)	-
Total revenues, gains, and other support	<u>3,887,675</u>	<u>(145,458)</u>	<u>3,742,217</u>
Expenses:			
Program services	4,018,564	-	4,018,564
Supporting services			
Management and general	553,115	-	553,115
Fund-raising	393,856	-	393,856
	<u>4,965,535</u>	<u>-</u>	<u>4,965,535</u>
<u>Change in net assets</u>	<u>(1,077,860)</u>	<u>(145,458)</u>	<u>(1,223,318)</u>
Net assets at beginning of year	7,835,004	364,925	8,199,929
Net assets at end of year	<u>\$ 6,757,144</u>	<u>\$ 219,467</u>	<u>\$ 6,976,611</u>

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part of these Financial Statements.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	<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	\$ 1,156,456	\$ 236,746	\$ 101,096	\$ 113,478	\$ 1,607,776	\$ 348,408	\$ 149,426	\$ 497,834
Payroll taxes	161,628	33,452	12,577	13,623	221,280	45,517	19,187	64,704
Employee benefits	187,633	52,471	18,041	1,931	260,076	40,343	30,030	70,373
Utilities	123,536	16,107	694	694	141,031	924	206	1,130
Supplies, drugs and food	257,667	239,411	50,839		547,917			-
Merchandise supplies	72,538				72,538			-
Professional fees						44,800		44,800
Medical assistance	52,575	181,001			233,576			-
Education			14,286	1,350	15,636	2,694		2,694
Insurance	129,896	35,872	3,190	31,446	200,404	20,360	5,794	26,154
Telephone	6,432	880	375	352	8,039	1,295	558	1,853
Maintenance and repairs	123,526	17,911	637	637	142,711	849	189	1,038
Advertising, public relations and newsletter	380	2,764	11,744		14,888			-
Office and general	97,964	36,421	5,709	11,481	151,575	19,674	25,650	45,324
Rent	20,839				20,839			-
Depreciation	218,566	29,202	1,400	1,401	250,569	13,438	16,374	29,812
Amortization	481	64	3	3	551	29	36	65
Auto and travel	2,911	1,350		8,909	13,170	9,842		9,842
Law enforcement				23,847	23,847			-
Fund-raising expense						4,942	140,385	140,385
Interest		10,738	515	515	92,141		6,021	10,963
Total	\$ 2,693,401	\$ 894,390	\$ 221,106	\$ 209,667	\$ 4,018,564	\$ 553,115	\$ 393,856	\$ 946,971

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, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (1,223,318)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	280,997
Net unrealized and realized losses	210,203
(Increase) decrease in operating assets:	
Cash restricted	265,690
Accounts receivable	(18,568)
Prepaid expenses	(3,969)
Increase (decrease) in operating liabilities:	
Accounts payable	42,731
Accrued expenses	55,137
	55,137
<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(391,097)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(384,403)
Purchase of investments	(830,833)
Sale of investments	1,420,253
	1,420,253
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>205,017</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable	(48,324)
Proceeds of line of credit	225,000
	225,000
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>	<u>176,676</u>

NET DECREASE IN CASH	(9,404)
CASH AT JANUARY 1, 2015	535,342
	535,342
CASH AT DECEMBER 31, 2015	<u>\$ 525,938</u>

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, 2015

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, 2015 the value of contributed services meeting the requirements for recognition in the financial statements totaled \$87,250. Of this amount, contributed veterinary technician services were \$53,350 and contributed consulting services were \$33,900. 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. Management periodically evaluates estimates used in the preparation of the financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based upon such periodic evaluation.

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, 2015. 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 and amortization are computed using the straight-line and declining balance methods over the estimated useful lives of the assets. 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 \$280,997.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. For the year ended December 31, 2015, advertising expense totaled \$3,144.

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, 2015, 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, 2015 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, 2015

Note 2 - Investments - Cost and fair value of investments at December 31, 2015 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 \$	7,983	\$ -	\$ -	\$ 7,983
Equity Securities (Level I)				
Utilities & Energy	1,276,811	99,592	(56,907)	1,319,496
Transportation	171,183	6,099	(27,620)	149,662
Financial	283,563	7,477	(21,004)	270,036
Technology	172,823	17,398	(6,959)	183,262
Consumer Goods	159,073	14,866	(10,893)	163,046
Healthcare/Drugs	205,690	17,650	(14,270)	209,070
Entertainment	31,247	213	(506)	30,954
Mutual Funds	<u>189,207</u>	<u>-</u>	<u>(10,935)</u>	<u>178,272</u>
	2,489,597	163,295	(149,094)	2,503,798
Corporate Debt (Level II)				
Financial	198,282	3,875	(98,282)	103,875
Bond Mutual Fund	<u>323,554</u>	<u>-</u>	<u>(23,171)</u>	<u>300,383</u>
	521,836	3,875	(121,453)	404,258
Total Investments	<u>\$3,019,416</u>	<u>\$ 167,170</u>	<u>\$(270,547)</u>	<u>\$2,916,039</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 \$225,000 was outstanding as of December 31, 2015. The rate is 4.25%. The line of credit, secured by a mortgage on the Eatontown property, is due to expire October 2017.

Note 5 - Mortgage Payable - The Organization has a mortgage note with Shore Community Bank of which \$2,376,676 was outstanding as of December 31, 2015. 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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5 - (continued)

Principal payments due under the mortgage note are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	53,697
2017	55,059
2018	57,140
2019	60,363
Thereafter	<u>2,150,417</u>
	<u>\$ 2,376,676</u>

- 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. Total interest paid for the year was \$103,104.
- 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, 2015, the Organization's uninsured cash balances totaled \$7,995.
- Note 10 - Operating Leases - 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 \$19,200 for the year ended December 31, 2015. The lease expires in January 2016. In a subsequent event, the Organization signed for another one year term through January 2017.

The Organization also leases office equipment under operating leases both with terms of five years. The lease expense was \$10,544 for the year ended December 31, 2015.

The following is a schedule of minimum rental payments under the leases at December 31, 2015:

<u>Year ending December 31,</u>	<u>Amount</u>
2016	\$ 29,724
2017	12,124
2018	10,524
2019	5,898
2020	<u>1,089</u>
	<u>\$ 59,359</u>

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 20,582	\$ 108,945	\$ 101,547	\$ 27,980
Medical Clinic	22,727	189,729	26,226	186,230
Pet Pantry	9,197	13,000	18,242	3,955
Pet Pantry - Building	311,117	-	311,117	-
Law Enforcement	<u>1,302</u>	<u>-</u>	<u>-</u>	<u>1,302</u>
Total	<u>\$ 364,925</u>	<u>\$ 311,674</u>	<u>\$ 457,132</u>	<u>\$ 219,467</u>

Note 12 - Litigation - The Organization was named as a defendant in several lawsuits which are being handled by the insurance company. The insurance policy has a \$5,000 deductible. One other lawsuit was filed for which the Organization is currently in negotiations and has accrued costs of \$44,482 for the year ended December 31, 2015. The Organization feels this amount will cover the anticipated settlement.

Note 13 - Subsequent Events - The Organization has evaluated subsequent events through June 16, 2016 which is the date the financial statements were available to be issued. In January 2016 the Organization extended the lease for the Freehold Raceway Mall space until January 2017.