

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2016**

**ROGER K. STEIN**  
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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, 2016, 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, 2016 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

May 25, 2017

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2016

**ASSETS**

Current Assets:

Cash	\$ 1,192,090
Cash - restricted	25,630
Accounts receivable	31,376
Prepaid expenses	16,270
<u>Total Current Assets</u>	1,265,366

Property, Buildings and Equipment:

Land	14,265
Building and improvements	8,049,501
Equipment and furniture	736,593
Transportation equipment	206,163
	9,006,522
Less: Accumulated depreciation	(2,830,480)
<u>Net Property, Buildings and Equipment</u>	6,176,042

Other Assets:

Investments	2,032,301
<u>Total Assets</u>	\$ 9,473,709

**LIABILITIES**

Current Liabilities:

Accounts payable	\$ 75,520
Accrued expenses	122,469
Line of credit	225,000
Mortgage payable - current portion	45,687
	468,676

Other Liabilities:

Mortgage payable - long term portion	2,266,578
<u>Total Liabilities</u>	2,735,254

**NET ASSETS**

Unrestricted	6,454,512
Temporarily restricted	283,943
<u>Total Net Assets</u>	6,738,455
<u>Total Liabilities and Net Assets</u>	\$ 9,473,709

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, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, gains, and other support:			
Program fees - Animal Services	\$ 625,793	\$ -	\$ 625,793
Program fees - Medical Clinic	738,505		738,505
Program fees - Community Services	16,811		16,811
Program fees and fines - Law Enforcement	17,780		17,780
Sales - Animal Supplies	134,459		134,459
Sales - Thrift Store	112,853		112,853
Animal control contracts	131,302		131,302
Donations	1,223,522	218,473	1,441,995
Fund-raisers - Gross revenues of \$ 513,538			
Less expenses of ( 118,121)	395,417		395,417
Bequests	422,236		422,236
Investment income	91,422		91,422
Net unrealized and realized gains on investments	229,449	-	229,449
	<u>4,139,549</u>	<u>218,473</u>	<u>4,358,022</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	153,997	(153,997)	-
Total revenues, gains, and other support	<u>4,293,546</u>	<u>64,476</u>	<u>4,358,022</u>
Expenses:			
Program services	3,752,329	-	3,752,329
Supporting services			
Management and general	415,542	-	415,542
Fund-raising	428,307	-	428,307
	<u>4,596,178</u>	<u>-</u>	<u>4,596,178</u>
<u>Change in net assets</u>	<u>(302,632)</u>	<u>64,476</u>	<u>(238,156)</u>
Net assets at beginning of year	6,757,144	219,467	6,976,611
Net assets at end of year	<u>\$ 6,454,512</u>	<u>\$ 283,943</u>	<u>\$ 6,738,455</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, 2016

Program Services

Supporting Services

	<u>Animal Services</u>	<u>Medical Clinic</u>	<u>Community Services</u>	<u>Law Enforcement</u>	<u>Program Services Total</u>	<u>Management and General</u>	<u>Fund-raising</u>	<u>Supporting Services Total</u>
Salaries and wages	\$ 1,163,895	\$ 323,743	\$ 71,341	\$ 87,923	\$ 1,646,902	\$ 250,382	\$ 181,147	\$ 431,529
Payroll taxes	141,526	39,812	8,534	6,058	195,930	28,740	20,099	48,839
Employee benefits	141,516	37,259	20,724	793	200,292	35,618	19,947	55,565
Utilities	103,408	12,894	3,379	556	120,237	740	164	904
Supplies, drugs and food	239,350	218,137	4,360		461,847			-
Merchandise supplies	62,392				62,392			-
Professional fees	55,816	80,953			136,769	37,344		37,344
Medical assistance					-			-
Education			13,709		13,709			-
Insurance	129,805	32,930		23,276	188,541	18,154	9,205	27,359
Telephone	5,056	1,406	570		7,032	1,088	787	1,875
Maintenance and repairs	106,268	16,550	1,208	597	124,623	794	176	970
Advertising, public relations and newsletter		2,875	14,608		17,483			-
Office and general	67,942	18,330	4,079	713	91,064	14,176	10,256	24,432
Credit card fees	21,725	10,713	1,688		34,126		26,654	26,654
Rent	20,913				20,913			-
Depreciation	222,351	29,707	15,051	1,425	268,534	13,671	3,031	16,702
Travel and conferences	107	940		16,875	17,922	7,878	130	8,008
Law enforcement				7,363	7,363			-
Fund-raising expense					-		155,168	155,168
Interest	113,149	15,117	7,659	725	136,650	6,957	1,543	8,500
<b>Total</b>	<b>\$ 2,595,219</b>	<b>\$ 841,366</b>	<b>\$ 169,440</b>	<b>\$ 146,304</b>	<b>\$ 3,752,329</b>	<b>\$ 415,542</b>	<b>\$ 428,307</b>	<b>\$ 843,849</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, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (238,156)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation and amortization	285,852
Net unrealized and realized gains on investments	(229,449)
Non cash contribution of assets	(2,451)
(Increase) decrease in operating assets:	
Cash restricted	(22,941)
Accounts receivable	2,127
Prepaid expenses	12,154
Increase (decrease) in operating liabilities:	
Accounts payable	(93,994)
Accrued expenses	(37,352)
<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(324,210)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(73,913)
Purchase of investments	(832,292)
Sale of investments	1,947,931
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>1,041,726</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable	(51,364)
NET INCREASE IN CASH	666,152
CASH AT JANUARY 1, 2016	525,938
CASH AT DECEMBER 31, 2016	<u>\$ 1,192,090</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, 2016

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, 2016 the value of contributed services meeting the requirements for recognition in the financial statements totaled \$5,300, which was for contributed veterinary technician services. 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, 2016. On a periodic basis, the Organization evaluates its accounts receivable and, if necessary, establishes an allowance for credit losses. There was no allowance for credit losses at December 31, 2016.

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 \$285,852.



MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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, 2016, advertising expense totaled \$2,875.

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, 2016, 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, 2016 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, 2016**

Note 2 - Investments - Cost and fair value of investments at December 31, 2016 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 \$	8,016	\$ -	\$ -	\$ 8,016
Equity Securities (Level I)				
Utilities & Energy	264,302	68,113	( 1,165)	331,250
Transportation	65,953	4,359	( 260)	70,052
Financial	373,349	35,407	( 20,520)	388,236
Technology	150,364	9,852	( 4,896)	155,320
Consumer Goods	265,878	10,800	( 7,754)	268,924
Healthcare/Drugs	85,438	15,904	( 4,507)	96,835
Entertainment	52,119	-	( 2,494)	49,625
Mutual Funds	<u>165,990</u>	<u>3,866</u>	<u>( 6,344)</u>	<u>163,512</u>
	1,423,393	148,301	( 47,940)	1,523,754
Corporate Debt (Level II)				
Financial	198,282	4,500	( 98,282)	104,500
Bond Mutual Fund	<u>415,629</u>	<u>492</u>	<u>( 20,090)</u>	<u>396,031</u>
	613,911	4,992	( 118,372)	500,531
Total Investments	<u>\$2,045,320</u>	<u>\$ 153,293</u>	<u>\$( 166,312)</u>	<u>\$2,032,301</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, 2016. 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 \$2,325,312 was outstanding as of December 31, 2016. 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 April 2039.

In 2016, the Organization adopted the requirements in FASB ASC 835-30 to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statement of functional expenses.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

Note 5 - (continued)

Long-term debt at December 31, 2016, consisted of the following:

Note Payable	\$ 2,325,312
Less: Unamortized debt issuance costs	13,047
Long-term debt, less unamortized Debt issuance costs	2,312,265
Less: current portion	45,687
Total long-term debt, less current Portion	\$ 2,266,578

Maturity of long-term debt is as follows:

Year ending December 31,	Amount
2017	45,687
2018	42,242
2019	44,657
2020	47,207
2021	49,901
Thereafter	2,082,571
	\$ 2,312,265

Note 6 - 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	\$ 27,980	\$ 132,333	\$ 38,610	\$ 121,703
Medical Clinic	186,230	46,140	111,577	120,793
Pet Pantry	3,955	-	3,810	145
Law Enforcement	1,302	40,000	-	41,302
Total	\$ 219,467	\$ 218,473	\$ 153,997	\$ 283,943

Note 7 - 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 8 - 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 \$144,534.

MONMOUTH COUNTY SOCIETY FOR THE  
PREVENTION OF CRUELTY TO ANIMALS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016

- Note 9 - 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 10 - 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, 2016, the Organization's uninsured cash balances totaled \$564,624.
- Note 11 - 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, 2016. The lease expires in January 2017. In a subsequent event, the Organization signed for another one year term through January 2018.

The Organization also leases office equipment under operating leases both with terms of five years. The lease expense was \$10,863 for the year ended December 31, 2016.

The following is a schedule of minimum rental payments under the leases at December 31, 2016:

<u>Year ending December 31,</u>	<u>Amount</u>
2017	\$ 10,524
2018	10,524
2019	5,898
2020	1,089
	<u>\$ 28,035</u>

- Note 12 - Thrift Store - The Organization operates a thrift store that sells clothing and other items with gross revenue of \$112,853 in 2016. Costs are reported under community services expense. Most of the labor was volunteers. No inventory was reported since management determined it was not material to the financial statements.
- Note 13 - Subsequent Events - The Organization has evaluated subsequent events through May 25, 2017 which is the date the financial statements were available to be issued. In January 2017, the Organization extended the lease for the Freehold Raceway Mall space until January 2018.