

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

FINANCIAL STATEMENTS

DECEMBER 31, 2010

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NEW JERSEY SOCIETY OF
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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 statement of financial position of the Monmouth County Society for the Prevention of Cruelty to Animals (a nonprofit organization) as of December 31, 2010 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. 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 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. I believe that my audit provides a reasonable basis for my 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, 2010 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

June 8, 2011

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2010

ASSETS

Current Assets:

Cash	\$	411,310
Cash - restricted		76,735
Accounts receivable		63,170
Prepaid expenses		29,207
<u>Total Current Assets</u>		580,422

Property, Buildings and Equipment:

Land		14,265
Building and improvements		7,419,541
Equipment and furniture		578,944
Transportation equipment		47,978
		8,060,728
Less: Accumulated Depreciation		(1,368,523)
<u>Net Property, Buildings and Equipment</u>		6,692,205

Other Assets:

Investments		5,603,267
<u>Total Assets</u>	\$	12,875,894

LIABILITIES

Accounts payable	\$	85,859
Accrued expenses		71,375
Mortgage payable		2,935,535
Note payable		100,000
<u>Total Liabilities</u>		3,192,769

NET ASSETS

Unrestricted		9,587,023
Temporarily restricted		96,102
<u>Total Net Assets</u>		9,683,125
<u>Total Liabilities and Net Assets</u>	\$	12,875,894

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, 2010

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Program fees	\$ 995,760
Donations	889,666
Fund raisers - net	368,829
Bequests	442,267
Animal housing contracts	91,476
Law enforcement	47,358
Investment income	301,545
Realized gains and losses	(11,976)
Unrealized gains and losses	572,659
	<u>3,697,584</u>
NET ASSETS RELEASED FROM RESTRICTIONS	
Grants and donations satisfied by payments	<u>62,239</u>
	<u>3,759,823</u>
EXPENSES	
Program services	2,925,831
Supporting services	
Management and general	297,629
Fund-raising	372,607
	<u>3,596,067</u>
	<u>163,756</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and donations	100,619
Restrictions satisfied by payments	<u>(62,239)</u>
	<u>38,380</u>
	<u>202,136</u>
NET ASSETS AT BEGINNING OF YEAR	
	<u>9,480,989</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,683,125</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, 2010

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- raising</u>	
Salaries and wages	\$ 1,213,617	\$ 188,573	\$ 200,535	\$ 1,602,725
Payroll taxes	136,747	21,248	22,595	180,590
Employee benefits	194,027	30,148	32,060	256,235
Utilities	158,656	1,120	160	159,936
Supplies, drugs and food	366,694			366,694
Professional fees		9,500		9,500
Medical assistance	52,890			52,890
Education	18,190	514		18,704
Insurance	114,571	4,902	5,287	124,760
Telephone	11,213	918	639	12,770
Maintenance and repairs	101,049	713	102	101,864
Advertising, public relations and newsletter	16,391			16,391
Office and general	113,003	17,558	12,223	142,784
Rent	5,027	5,027	5,027	15,081
Depreciation	207,067	11,106	13,531	231,704
Auto and travel	3,658	568	605	4,831
Law enforcement	106,123			106,123
Fund-raising expense			72,857	72,857
Interest	106,908	5,734	6,986	119,628
Total	\$ 2,925,831	\$ 297,629	\$ 372,607	\$ 3,596,067

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, 2010

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	202,136
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation		231,704
Unrealized gains on investments		(572,659)
Loss on sale of investments		11,976
Non cash contribution of assets		(42,103)
(Increase) decrease in operating assets:		
Cash restricted		(19,825)
Accounts receivable		(53,000)
Prepaid expenses		(18,464)
Increase (decrease) in operating liabilities:		
Accounts payable		(172,111)
Accrued expenses		(138,633)
		(570,979)
<u>NET CASH USED BY OPERATING ACTIVITIES</u>		<u>(570,979)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		(32,351)
Purchase of investments		(1,203,426)
Sale of investments		1,865,601
		629,824
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>		<u>629,824</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Net increase of Note payable		36,000
Proceeds of Construction Line of Credit		92,909
		128,909
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>		<u>128,909</u>

NET INCREASE IN CASH		187,754
CASH AT JANUARY 1, 2010		223,556
CASH AT DECEMBER 31, 2010	\$	411,310

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, 2010

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.

Contributed Services - During the year ended December 31, 2010 the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. 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.

Accounts Receivable - The Organization has animal housing contracts with various towns in Monmouth County. The Organization carries its accounts receivable at cost with no allowance for credit losses at December 31, 2010. 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 for the year was \$231,704.

The Organization had contracted for construction services and equipment for improvements of the existing facility. As of December 31, 2010, the construction was complete. The cost of improvements and equipment as of December 31, 2010 was \$6,396,953.

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.

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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

Note 1 - (continued)

The Organization evaluates its uncertain tax positions using the provisions of FASB Statement 5, *Accounting for Contingencies*. 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, 2010, the Organization recognized no liability on uncertain tax positions.

Contributions - 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.

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.

Note 2 - Investments - Cost and fair value of investments at December 31, 2010 are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale				
Certificates of Deposit \$	23,705	\$ -	\$ -	\$ 23,705
Equity Securities				
Utilities & Energy	2,160,355	455,413	(166,025)	2,449,743
Communications	193,468	26,704	(1,216)	218,956
Consumer/Tobacco	585,488	186,741	(139)	772,090
Consumer/Food	95,088	29,272	(360)	124,000
Healthcare/Drugs	93,600	9,660	(720)	102,540
Materials/Chemical	114,098	33,922	-	148,020
	<u>3,242,097</u>	<u>741,712</u>	<u>(168,460)</u>	<u>3,815,349</u>
Corporate Debt				
Utilities & Energy	693,142	46,993	(88,988)	651,147
Financial	350,282	30,978	(98,272)	282,988
Communications	182,037	5,750	(497)	187,290
Automobile	392,461	22,505	(68,131)	346,835
Bond Mutual Fund	308,809	-	(12,856)	295,953
	<u>1,926,731</u>	<u>106,226</u>	<u>(268,744)</u>	<u>1,764,213</u>
Total Investments	<u>\$ 5,192,533</u>	<u>\$ 847,938</u>	<u>\$(437,204)</u>	<u>\$ 5,603,267</u>

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

- Note 3 - Line of Credit - The Organization has a \$200,000 line of credit with Valley National Bank, of which \$100,000 was outstanding as of December 31, 2010. The line of credit, secured by a mortgage on the Eatontown property, is due to expire August 2011. The rate is at the bank's prime rate with a floor of 4.00%.
- Note 4 - Mortgage Payable - The Organization converted a construction loan into a permanent mortgage note with Valley National Bank in November 2010, of which \$2,935,535 was outstanding as of December 31, 2010. The mortgage note, secured by the Eatontown property, is payable in monthly installments including interest. The rate is based on the weekly average yield on US Treasury Bonds adjusted to a constant maturity of ten years, plus 200 basis points (2.00%). The rate has a floor of 5.5%. The interest rate adjusts every five years after the initial ten years of the loan term. Monthly principal and interest payments are based on a twenty-three year amortization schedule. The note is due November 2028.
- Note 5 - Operating Lease Commitment - The Organization leased storage space under a non-cancelable operating lease with a term of three years. The lease expired on December 31, 2010. The Organization did not renew the lease and is currently renting month to month in 2011.
- 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 \$138,711.
- 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, 2010, the Organization had no uninsured cash balances.
- Note 10 - Transactions with Related Party - The Organization incurred costs and have an account payable of \$17,558 to one vendor. The supplies were sold to the Organization at the vendor's cost. The vendor is owned by a spouse of a Board member of the Organization.
- Note 11 - Litigation - In January 2009, a veterinary hospital filed suit against the Organization for alleged services and kenneling for five dogs over a period of several years in the amount of \$245,411. A settlement was reached in June 2010 in the amount of \$118,000 which was recorded as outside kenneling expense in 2009 and paid in full during 2010.