

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

FINANCIAL STATEMENTS

DECEMBER 31, 2012

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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 not-for-profit organization) which comprise the statement of financial position as of December 31, 2012, 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

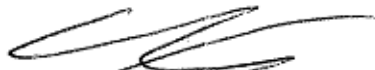
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether 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, 2012 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 22, 2013

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current Assets:

Cash	\$	288,236
Cash - restricted		38,530
Accounts receivable		10,160
Prepaid expenses		27,419
<u>Total Current Assets</u>		364,345

Property, Buildings and Equipment:

Land		14,265
Building and improvements		7,495,457
Equipment and furniture		659,906
Transportation equipment		109,844
		8,279,472
Less: Accumulated Depreciation		(1,841,175)
<u>Net Property, Buildings and Equipment</u>		6,438,297

Other Assets:

Investments		5,264,153
<u>Total Assets</u>	\$	12,066,795

LIABILITIES

Current Liabilities:

Accounts payable	\$	114,444
Accrued expenses		84,642
Note payable		17,153
Line of credit		198,793
Mortgage payable - current portion		95,780
		510,812

Other Liabilities:

Mortgage payable - long term portion		2,338,199
<u>Total Liabilities</u>		2,849,011

NET ASSETS

Unrestricted		9,082,553
Temporarily restricted		135,231
<u>Total Net Assets</u>		9,217,784
<u>Total Liabilities and Net Assets</u>	\$	12,066,795

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, 2012

UNRESTRICTED NET ASSETS	
SUPPORT AND REVENUE	
Program fees - Animal Services	\$ 561,616
Program fees - Medical Clinic	693,658
Program fees - Community Services	28,290
Program fees and fines - Law Enforcement	18,609
Sales - Animal Supplies	157,929
Animal housing contracts	103,015
Donations	1,050,007
Fund-raisers - net	307,965
Bequests	109,674
Investment income	260,938
Net unrealized and realized gains on investments	200,656
	<u>3,492,357</u>
NET ASSETS RELEASED FROM RESTRICTIONS	
Grants and donations satisfied by payments	<u>124,040</u>
	<u>3,616,397</u>
EXPENSES	
Program services	3,676,583
Supporting services	
Management and general	436,142
Fund-raising	370,109
	<u>4,482,834</u>
<u>DECREASE IN UNRESTRICTED NET ASSETS</u>	<u>(866,437)</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and donations	173,686
Restrictions satisfied by payments	<u>(124,040)</u>
<u>INCREASE IN TEMPORARILY RESTRICTED NET ASSETS</u>	<u>49,646</u>
<u>DECREASE IN NET ASSETS</u>	<u>(816,791)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>10,034,575</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,217,784</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, 2012

	<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	\$ 1,097,736	\$ 343,986	\$ 47,890	\$ 69,005	\$ 1,558,617	\$ 272,187	\$ 214,570	\$ 486,757
Payroll taxes	135,904	42,587	5,929	8,240	192,660	33,698	26,565	60,263
Employee benefits	119,492	37,444	5,213	2,155	164,304	29,629	23,357	52,986
Utilities	119,389	15,978	689	689	136,745	917	204	1,121
Supplies, drugs and food	287,821	178,647			466,468			-
Merchandise supplies	124,783			50	124,783	42,268		42,268
Professional fees		78,508			78,508			-
Medical assistance	69,915				69,915			-
Education			18,575		18,575			-
Insurance	83,582	47,859	995	9,652	142,088	5,352	4,045	9,397
Telephone	6,224	1,950	272	2,446	10,892	1,543	1,061	2,604
Maintenance and repairs	100,142	13,402	578	578	114,700	769	171	940
Advertising, public relations and newsletter	6,357	143	40,207		46,707			-
Office and general	111,145	34,828	4,849	2,862	153,684	27,559	18,950	46,509
Rent	17,250				17,250			-
Depreciation	186,890	24,969	1,198	1,198	214,255	11,491	14,001	25,492
Auto and travel	15,106	4,734	659	5,973	26,472	3,746	2,952	6,698
Law enforcement				9,711	9,711			-
Fund-raising expense		15,173	728	728	130,199	6,983	55,725	55,725
Interest	113,570				113,570		8,508	15,491
Total	\$ 2,595,306	\$ 840,208	\$ 127,782	\$ 113,287	\$ 3,676,583	\$ 436,142	\$ 370,109	\$ 806,251

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$ (816,791)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	239,747
Net unrealized and realized gains on investments	(200,656)
Non cash contribution of assets	(42,160)
(Increase) decrease in operating assets:	
Cash restricted	32,449
Accounts receivable	48,400
Prepaid expenses	766
Increase (decrease) in operating liabilities:	
Accounts payable	64,334
Accrued expenses	25,129
	<hr/>
<u>NET CASH USED BY OPERATING ACTIVITIES</u>	<u>(648,782)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment	(148,290)
Purchase of investments	(2,215,350)
Sale of investments	2,600,304
	<hr/>
<u>NET CASH PROVIDED BY INVESTING ACTIVITIES</u>	<u>236,664</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable	(125,677)
Proceeds of notes payable	127,153
	<hr/>
<u>NET CASH PROVIDED BY FINANCING ACTIVITIES</u>	<u>1,476</u>

NET DECREASE IN CASH	(410,642)
CASH AT JANUARY 1, 2012	<hr/> 698,878
CASH AT DECEMBER 31, 2012	<u><u>\$ 288,236</u></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, 2012

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, 2012 the value of contributed services meeting the requirements for recognition in the financial statements totaled \$74,681. Of this amount, contributed veterinary technician services were \$62,233 and contributed accounting services were \$12,448. 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, 2012. 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 \$239,747.

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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1 - (continued)

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, 2012, 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, 2012 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, 2012

Note 2 - Investments - Cost and fair value of investments at December 31, 2012 are as follows:

	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Gross Fair Value</u>
Available for sale				
Certificates of Deposit \$	18,215	\$ -	\$ -	\$ 18,215
Equity Securities (Level I)				
Utilities & Energy	2,011,431	176,151	(161,040)	2,026,542
Automobile	105,817	-	(80,206)	25,611
Services	57,668	990	(2,768)	55,890
Financial	151,534	6,204	-	157,738
Technology	313,518	4,414	(30,673)	287,259
Consumer Goods	444,362	44,294	-	488,656
Healthcare/Drugs	303,017	31,519	(4,670)	329,866
Materials	<u>289,768</u>	<u>24,506</u>	<u>(30,321)</u>	<u>283,953</u>
	3,677,115	288,078	(309,678)	3,655,515
Corporate Debt (Level II)				
Utilities & Energy	154,536	74,652	-	229,188
Financial	198,282	14,750	(98,282)	114,750
Automobile	100,481	4,029	-	104,510
Bond Mutual Fund	<u>1,130,441</u>	<u>11,608</u>	<u>(74)</u>	<u>1,141,975</u>
	1,583,740	105,039	(98,356)	1,590,423
Total Investments	<u>\$ 5,279,070</u>	<u>\$ 393,117</u>	<u>\$(408,034)</u>	<u>\$ 5,264,153</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 - Note Payable - The note payable in the amount of \$17,153 to Ford Motor Credit, collateralized by the vehicle, was paid in full in January 2013.
- Note 5 - Line of Credit - The Organization has a \$200,000 line of credit with Valley National Bank, of which \$198,793 was outstanding as of December 31, 2012. The line of credit, secured by a mortgage on the Eatontown property, is due to expire July 2013. The rate is at the bank's prime rate with a floor of 4.00%.
- Note 6 - Mortgage Payable - The Organization has a mortgage note with Valley National Bank of which \$2,433,979 was outstanding as of December 31, 2012. The mortgage note, secured by the Eatontown property, is payable in monthly installments of \$18,938 including interest of 5.5%. 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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 6 - (continued)

Principal payments due under the mortgage note are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2013	\$ 95,780
2014	101,183
2015	106,890
2016	112,920
2017	119,290
2016	126,018
Thereafter	<u>1,771,898</u>
	<u>\$ 2,433,979</u>

- 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 \$145,690.
- 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, 2012, the Organization had no uninsured cash balances.
- Note 11 - 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 \$17,250 for the year ended December 31, 2012. The lease expired in January 2013. In a subsequent event, the Organization signed for another one year term for \$18,000.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 12 - 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	\$ 4,491	\$ 74,893	\$ 40,728	\$ 38,656
TNR Program	30,767	375	12,982	18,160
Clinic	7,755	23,733	13,793	17,695
Community Services	-	3,500	3,500	-
Superstorm Sandy Relief	-	15,000	15,000	-
Mortgage Reduction	<u>42,572</u>	<u>56,185</u>	<u>38,037</u>	<u>60,720</u>
Total	<u>\$ 85,585</u>	<u>\$ 173,686</u>	<u>\$ 124,040</u>	<u>\$ 135,231</u>

Note 13 - Litigation - The Organization was named as a defendant in a lawsuit filed in 2012 and also in another lawsuit filed in March 2013. 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 22, 2013, which is the date the financial statements were available to be issued. In January 2013, the Organization extended the lease for the Freehold Raceway Mall space until January 2014.