

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

FINANCIAL STATEMENTS

DECEMBER 31, 2018

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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, 2018, 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 from 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, 2018 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

August 21, 2019

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current Assets:

Cash	\$	367,445
Accounts receivable		84,183
Prepaid expenses		22,778
<u>Total Current Assets</u>		474,406

Property, Buildings and Equipment:

Land		14,265
Building and improvements		8,049,861
Equipment and furniture		931,467
Transportation equipment		285,163
		9,280,756
Less: Accumulated depreciation		(3,422,097)
<u>Net Property, Buildings and Equipment</u>		5,858,659

Other Assets:

Investments		2,486,977
<u>Total Assets</u>	\$	8,820,042

LIABILITIES

Current Liabilities:

Accounts payable	\$	85,336
Deferred income		6,837
Accrued expenses		176,601
Mortgage payable - current portion		56,347
		325,121

Other Liabilities:

Mortgage payable - long term portion		2,141,721
<u>Total Liabilities</u>		2,466,842

NET ASSETS

Without donor restrictions		6,243,576
With donor restrictions		109,624
<u>Total Net Assets</u>		6,353,200
<u>Total Liabilities and Net Assets</u>	\$	8,820,042

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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Program fees - Animal Services	\$ 715,138	\$ -	\$ 715,138
Program fees - Medical Clinic	881,921		881,921
Program fees - Community Services	4,720		4,720
Program fees and fines - Law Enforcement	18,816		18,816
Sales - Animal Supplies	60,768		60,768
Sales - Thrift Store	155,583		155,583
Animal control contracts	364,651		364,651
Donations	2,396,828	272,189	2,669,017
Fund-raisers - Gross revenues of \$600,766			
Less expenses of <u>(100,372)</u>	500,394		500,394
Bequests	110,968		110,968
Investment income	70,698		70,698
Loss on assets retired from service	(46,306)		(46,306)
Net unrealized and realized losses on investments	(199,332)		(199,332)
Miscellaneous income	6,461	-	6,461
	<u>5,041,308</u>	<u>272,189</u>	<u>5,313,497</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	<u>377,838</u>	<u>(377,838)</u>	<u>-</u>
Total revenues, gains, and other support	<u>5,419,146</u>	<u>(105,649)</u>	<u>5,313,497</u>
Expenses:			
Program services	4,610,502	-	4,610,502
Supporting services			
Management and general	373,850	-	373,850
Fund-raising	524,321	-	524,321
	<u>5,508,673</u>	<u>-</u>	<u>5,508,673</u>
<u>Change in net assets</u>	<u>(89,527)</u>	<u>(105,649)</u>	<u>(195,176)</u>
Net assets at beginning of year	<u>6,333,103</u>	<u>215,273</u>	<u>6,548,376</u>
Net assets at end of year	<u>\$ 6,243,576</u>	<u>\$ 109,624</u>	<u>\$ 6,353,200</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, 2018

	<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	\$ 1,453,176	\$ 609,078	\$ 41,154	\$ 124,980	\$ 2,228,388	\$ 237,718	\$ 226,629	\$ 464,347
Payroll taxes	166,542	65,880	4,618	13,484	250,524	21,710	23,081	44,791
Employee benefits	123,572	48,901	6,418	1,233	180,124	16,633	22,566	39,199
Utilities	105,806	12,975	4,249	559	123,589	745	165	910
Supplies, drugs and food	310,046	311,633	847		622,526			-
Merchandise supplies	28,885		-		28,885			-
Professional fees					-	37,428		37,428
Medical assistance	61,139	110,498			171,637			-
Education	1,100	361	14,570		16,031			-
Insurance	130,267	54,772	1,090	19,997	206,126	12,813	6,268	19,081
Telephone	5,628	2,359	159		8,146	921	878	1,799
Maintenance and repairs	140,576	20,279	1,509	788	163,152	1,050	233	1,283
Advertising, public relations and newsletter	1,484		14,018		15,502			-
Office and general	89,519	51,218	2,693	676	144,106	14,425	13,752	28,177
Credit card fees	12,080	10,352	7,565		29,997		14,712	14,712
Rent	18,345				18,345			-
Depreciation	241,603	32,280	16,354	1,548	291,785	14,855	3,294	18,149
Travel and conferences	1,986	2,960		1,691	6,637	10,264	130	10,394
Law enforcement				1,133	1,133			-
Fund-raising expense					-		211,441	211,441
Interest	86,005	11,491	5,822	551	103,869	5,288	1,172	6,460
Total	<u>\$ 2,977,759</u>	<u>\$ 1,345,037</u>	<u>\$ 121,066</u>	<u>\$ 166,640</u>	<u>\$ 4,610,502</u>	<u>\$ 373,850</u>	<u>\$ 524,321</u>	<u>\$ 898,171</u>

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets	\$	(195,176)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		310,550
Loss on assets retired from service		46,306
Net unrealized and realized losses on investments		199,332
Non cash contribution of assets		(104,119)
(Increase) decrease in operating assets:		
Accounts receivable		(30,143)
Prepaid expenses		(8,027)
Increase (decrease) in operating liabilities:		
Accounts payable		1,003
Deferred income		6,837
Accrued expenses		6,665
		233,228
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		<u>233,228</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		(166,700)
Purchase of investments		(1,359,697)
Sale of investments		889,563
		(636,834)
<u>NET CASH USED BY INVESTING ACTIVITIES</u>		<u>(636,834)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable		(59,102)
Reduction of line of credit		(125,000)
Repayment of loan from donor		(100,000)
		(284,102)
<u>NET CASH USED BY FINANCING ACTIVITIES</u>		<u>(284,102)</u>

NET DECREASE IN CASH		(687,708)
CASH AT JANUARY 1, 2018		1,055,153
CASH AT DECEMBER 31, 2018	\$	367,445

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, 2018

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.

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions.

Without donor restrictions – Resources available to support operations and are not subject to donor restrictions.

With donor restrictions – Resources that are subject to donor-imposed restrictions. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Contributions - The Organization recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as support without donor restrictions or support with donor restrictions according to donor stipulations that limit the use of these assets due to time or purpose restrictions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed Services - During the year ended December 31, 2018 the value of contributed services meeting the requirements for recognition in the financial statements totaled \$90,000, 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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - (continued)

Accounts Receivable - The Organization has animal housing contracts with various towns in Monmouth County which are earned and billed monthly. 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, 2018.

Program Fees - 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 recognizes revenue from its retail operations when the sale is made. The Organization collects sales tax on certain transactions and remits to the State of New Jersey. The Organization's accounting policy is to exclude the tax collected and remitted to the State from revenues and cost of sales.

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 \$310,550.

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as support without donor restrictions 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 support with donor restrictions. 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 net assets with donor restrictions to net assets without donor restrictions at that time.

Advertising - All advertising costs are expensed in the period they are incurred. For the year ended December 31, 2018, advertising expense totaled \$1,484.

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, 2018, the Organization recognized no liability on uncertain tax positions.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 1 - (continued)

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. In 2018, the Organization incurred investment expenses of \$20,016 which is reflected in the investment income on the statement of activities.

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, 2018 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 and U.S. government securities are valued at quoted prices in active markets for identical assets (Level I). 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.

Note 2 - Investments - Cost and fair value of investments at December 31, 2018 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 \$	8,155	\$ -	\$ -	\$ 8,155
Equity Securities (Level I)				
Utilities & Energy	221,035	33,168	(7,182)	247,021
Services	64,893	286	(20,820)	44,359
Financial	335,212	2,236	(30,083)	307,365
Technology	268,821	4,175	(56,959)	216,037
Consumer Goods	265,735	833	(45,155)	221,413
Healthcare/Drugs	106,902	726	(8,156)	99,472
Entertainment	45,288	-	(1,428)	43,860
Mutual Funds	658,307	9,287	(19,930)	647,664
	<u>1,966,193</u>	<u>50,711</u>	<u>(189,713)</u>	<u>1,827,191</u>
Corporate Debt (Level I)				
Financial	461,740	-	(106,150)	355,590
Bond Mutual Fund	328,429	-	(32,388)	296,041
	<u>790,169</u>	<u>-</u>	<u>(138,538)</u>	<u>651,631</u>
Total Investments	<u>\$2,764,517</u>	<u>\$ 50,711</u>	<u>\$(328,251)</u>	<u>\$ 2,486,977</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.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

- 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, 2018. The rate is 4.25%. The line of credit, secured by a mortgage on the Eatontown property, is due to expire October 2019.
- Note 5 - Mortgage Payable - The Organization has a mortgage note with Shore Community Bank of which \$2,209,882 was outstanding as of December 31, 2018. 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.

Long-term debt at December 31, 2018, consisted of the following:

Note Payable	\$ 2,209,882
Less: Unamortized debt issuance costs	<u>11,814</u>
Long-term debt, less unamortized Debt issuance costs	2,198,068
Less: current portion	<u>56,347</u>
Total long-term debt, less current Portion	<u>\$ 2,141,721</u>

Maturity of long-term debt is as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	56,347
2020	58,167
2021	61,483
2022	64,986
2023	68,686
Thereafter	1,888,399
	<u>\$ 2,198,068</u>

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

Note 6 - Net Assets With Donor Restrictions - Activities related to net assets with donor restrictions in the current year are summarized as follows:

	Net Assets With Donor Restrictions- Beginning Of Year	Restricted Donations Received During Year	Restrict- ions Satisfied by Payments	Net Assets With Donor Restrictions- End of Year
Animal Services	\$ 82,059	\$ 192,728	\$ 198,170	\$ 76,617
Medical Clinic	131,912	79,461	178,366	33,007
Law Enforcement	<u>1,302</u>	<u>-</u>	<u>1,302</u>	<u>-</u>
Total	<u>\$ 215,273</u>	<u>\$ 272,189</u>	<u>\$ 377,838</u>	<u>\$ 109,624</u>

Note 7 - Liquidity - The following reflects the Organization's financial assets as of December 31, 2018, reduced by amounts not available for general use because of contractual, donor-imposed or board-imposed restrictions within one year of the statement of financial position date:

Financial assets at December 31, 2018:	
Cash	\$ 367,445
Accounts receivable	84,183
Investments	<u>2,486,977</u>
	<u>\$ 2,938,605</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted for Animal Services program	(76,617)
Restricted for Medical Clinic program	<u>(33,007)</u>
Financial assets available to meet cash needs for general expenditure within one year	
	<u>\$ 2,828,981</u>

As part of the Organization's liquidity management, the Organization structures its financial assets to be available as general expenditures and liabilities become due. The Organization also has a line of credit of \$250,000 with Shore Community Bank that is available for any expenditures.

Note 8 - Functional Allocation of Expenses - The costs of providing programs 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 supporting services benefited. Directly identifiable expenses are charged to the programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

- Note 9 - 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 \$109,712.
- Note 10 - 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 11 - 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, 2018, the Organization's uninsured cash balances totaled \$36,952.
- Note 12 - Operating Leases - The Organization leased space in the Freehold Raceway Mall in Freehold, New Jersey, which had animals available for adoption and a retail store of animal products. Lease expense was \$17,050 for the year ended December 31, 2018. The lease expired in October 2018 and was not renewed.

The Organization also leases office equipment under operating leases with terms of four to five years. The lease expense was \$22,411 for the year ended December 31, 2018.

The following is a schedule of minimum rental payments under the leases at December 31, 2018:

<u>Year ending December 31,</u>	<u>Amount</u>
2019	\$ 30,046
2020	28,647
2021	25,848
2022	25,848
2023	12,924
	<u>\$ 123,313</u>

- Note 13 - Thrift Store - The Organization operates a thrift store that sells clothing and other items with gross revenue of \$155,583 in 2018. 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 14 - Subsequent Events - The Organization has evaluated subsequent events through August 21, 2019 which is the date the financial statements were available to be issued. No subsequent events requiring recognition or disclosure in the financial statements were identified by management.