

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

FINANCIAL STATEMENTS

DECEMBER 31, 2019

ROGER K. STEIN
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NEW JERSEY SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

LICENSED:
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, 2019, 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, 2019, 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

Neptune, New Jersey

July 29, 2020

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current Assets:

Cash	\$ 979,287
Accounts receivable	74,435
Prepaid expenses	44,370
<u>Total Current Assets</u>	1,098,092

Property, Buildings and Equipment:

Land	14,265
Buildings and improvements	8,057,156
Equipment and furniture	971,514
Transportation equipment	390,130
	9,433,065
Less: Accumulated depreciation	(3,678,240)
<u>Net Property, Buildings and Equipment</u>	5,754,825

Other Assets:

Investments	2,800,472
<u>Total Assets</u>	\$ 9,653,389

LIABILITIES

Current Liabilities:

Accounts payable	\$ 112,328
Accrued expenses	174,478
Deferred income	2,519
Mortgage payable - current portion	48,952
	338,277

Other Liabilities:

Mortgage payable - long term portion	2,098,940
	2,098,940

<u>Total Liabilities</u>	2,437,217
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NET ASSETS

Without donor restrictions	6,938,400
With donor restrictions	277,772
<u>Total Net Assets</u>	7,216,172
<u>Total Liabilities and Net Assets</u>	\$ 9,653,389

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, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, gains, and other support:			
Program fees - Animal Services	\$ 693,021	\$ -	\$ 693,021
Program fees - Medical Clinic	1,117,524		1,117,524
Program fees - Community Services	3,900		3,900
Program fees and fines - Law Enforcement	22,027		22,027
Sales - Animal Supplies	22,553		22,553
Sales - Thrift Store	146,949		146,949
Animal control contracts	410,420		410,420
Donations	2,169,384	505,085	2,674,469
Fund-raisers - Gross revenues of \$596,938			
Less expenses of <u>(123,673)</u>	473,265		473,265
Bequests	594,354		594,354
Investment income	85,303		85,303
Loss on assets retired from service	(886)		(886)
Net unrealized and realized gains on investments	329,672		329,672
Miscellaneous income	4,124	-	4,124
	<u>6,071,610</u>	<u>505,085</u>	<u>6,576,695</u>
Net assets released from restrictions:			
Satisfaction of program restrictions	336,937	(336,937)	-
Total revenues, gains, and other support	<u>6,408,547</u>	<u>168,148</u>	<u>6,576,695</u>
Expenses:			
Program services	4,785,770	-	4,785,770
Supporting services			
Management and general	368,893	-	368,893
Fund-raising	559,060	-	559,060
	<u>5,713,723</u>	<u>-</u>	<u>5,713,723</u>
<u>Change in net assets</u>	<u>694,824</u>	<u>168,148</u>	<u>862,972</u>
Net assets at beginning of year	6,243,576	109,624	6,353,200
Net assets at end of year	<u>\$ 6,938,400</u>	<u>\$ 277,772</u>	<u>\$ 7,216,172</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, 2019

	<u>Program Services</u>				<u>Supporting Services</u>				<u>Total</u>
	<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	\$ 1,488,954	\$ 684,636	\$ 42,140	\$ 155,007	\$ 2,370,737	\$ 223,533	\$ 230,274	\$ 453,807	\$ 2,824,544
Payroll taxes	165,777	72,508	4,855	15,391	258,531	21,169	23,953	45,122	303,653
Employee benefits	149,284	65,793	7,265	882	223,224	16,319	25,408	41,727	264,951
Utilities	108,594	13,850	4,285	597	127,326	794	176	970	128,296
Supplies, drugs and food	352,686	353,268	85		706,039			-	706,039
Merchandise supplies	13,025				13,025			-	13,025
Professional fees					-	37,556		37,556	37,556
Medical assistance	41,457	7,452			48,909			-	48,909
Education			8,434		8,434			-	8,434
Insurance	137,689	63,877	1,460	22,809	225,835	29,787	5,179	34,966	260,801
Telephone	2,092	962	59		3,113	314	323	637	3,750
Maintenance and repairs	117,905	21,675	1,778	648	142,006	862	192	1,054	143,060
Public relations and newsletter			16,621		16,621			-	16,621
Office and general	95,632	56,663	2,871	485	155,651	14,358	14,790	29,148	184,799
Credit card fees	10,471	18,264	9,116		37,851		9,570	9,570	47,421
Depreciation	261,775	34,975	17,719	1,677	316,146	16,096	3,569	19,665	335,811
Travel and conferences	10,355	3,036		7,953	21,344	2,502		2,502	23,846
Law enforcement				917	917			-	917
Fund-raising expense					-		244,384	244,384	244,384
Interest	91,132	12,176	6,169	584	110,061	5,603	1,242	6,845	116,906
Total	<u>\$ 3,046,828</u>	<u>\$ 1,409,135</u>	<u>\$ 122,857</u>	<u>\$ 206,950</u>	<u>\$ 4,785,770</u>	<u>\$ 368,893</u>	<u>\$ 559,060</u>	<u>\$ 927,953</u>	<u>\$ 5,713,723</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, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in net assets	\$	862,972
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization		336,427
Loss on assets retired from service		886
Net unrealized and realized gains on investments		(329,672)
Non cash contribution of assets		(4,076)
(Increase) decrease in operating assets:		
Accounts receivable		9,748
Prepaid expenses		(21,592)
Increase (decrease) in operating liabilities:		
Accounts payable		26,992
Accrued expenses		(2,123)
Deferred income		(4,318)
		875,244
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		<u>875,244</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of property and equipment		(232,862)
Purchase of investments		(1,309,705)
Sale of investments		1,329,957
		(212,610)
<u>NET CASH USED BY INVESTING ACTIVITIES</u>		<u>(212,610)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Reduction of mortgage payable		(50,792)
		(50,792)
NET INCREASE IN CASH		611,842
CASH AT JANUARY 1, 2019		367,445
CASH AT DECEMBER 31, 2019	\$	979,287

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, 2019

Note 1 - Summary of Significant Accounting Policies -

Nature of Activities - The Society is a nonprofit 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 of America.

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 - 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 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. Grants and other contributions of cash and other assets are reported as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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, 2019, 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 accounting principles generally accepted in the United States of America 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, 2019

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, 2019.

Revenue Recognition - Effective January 1, 2019, the Organization retrospectively changed its accounting methods for revenue recognition and financial instruments as a result of implementing the requirements in the Financial Accounting Standard Board's Accounting Standards Codification (ASC) 606, Revenue from Contracts with Customers. The new revenue recognition guidance requires the recognition of revenue when promised services are transferred to customers in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those services. The Organization adopted the simplified approach under ASC 606 which is a modified retrospective application with a cumulative effect adjustment to net assets in the year of adoption. However, management determined there was no adjustment required to the financial statements.

Program Service 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.

Gift Shop - 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 \$336,427.

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.

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, 2019

Note 1 - (continued)

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, 2019, 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. In 2019, the Organization incurred investment expenses of \$9,533 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, 2019, 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, 2019 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	\$ 8,257	\$ -	\$ -	\$ 8,257
Equity Securities (Level I)				
Utilities & Energy	353,440	85,558	(5,587)	433,411
Services	129,907	2,337	(2,941)	129,303
Financial	349,997	9,924	(1,807)	358,114
Technology	215,386	10,539	(5,006)	220,919
Consumer Goods	203,384	7,471	(9,575)	201,280
Healthcare/Drugs	86,122	3,623	(1,547)	88,198
Entertainment	26,463	2,439	-	28,902
Mutual Funds	<u>1,012,374</u>	<u>3,693</u>	<u>(12,061)</u>	<u>1,004,006</u>
	<u>2,377,073</u>	<u>125,584</u>	<u>(38,524)</u>	<u>2,464,133</u>
Corporate Debt (Level I)				
Financial	152,282	675	(98,282)	54,675
Bond Mutual Fund	<u>271,005</u>	<u>2,402</u>	<u>-</u>	<u>273,407</u>
	<u>423,287</u>	<u>3,077</u>	<u>(98,282)</u>	<u>328,082</u>
Total Investments	<u>\$2,808,617</u>	<u>\$ 128,661</u>	<u>\$(136,806)</u>	<u>\$ 2,800,472</u>

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

- 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 it's investment broker, 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 none was outstanding as of December 31, 2019. The rate is 4.25%. The line of credit, secured by a mortgage on the Eatontown property, is due to expire October 2021.
- Note 5 - Mortgage Payable - The Organization has a mortgage note with Shore Community Bank of which \$2,159,090 was outstanding as of December 31, 2019. The mortgage note, secured by the Eatontown property, is payable in monthly installments including interest currently at 5.5%. The interest rate adjusts 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, 2019, consisted of the following:

Note Payable	\$2,159,090
Less: Unamortized debt issuance costs	11,198
Long-term debt, less unamortized Debt issuance costs	2,147,892
Less: current portion	48,952
Total long-term debt, less current Portion	<u>\$2,098,940</u>

Maturity of long-term debt is as follows:

Year ending December 31,	Amount
2020	48,952
2021	51,749
2022	54,702
2023	57,823
2024	61,119
Thereafter	1,873,547
	<u>\$ 2,147,892</u>

MONMOUTH COUNTY SOCIETY FOR THE
PREVENTION OF CRUELTY TO ANIMALS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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	\$ 76,617	\$ 294,343	\$ 168,818	\$ 202,142
Medical Clinic	33,007	78,742	36,119	75,630
Vehicles	<u>-</u>	<u>132,000</u>	<u>132,000</u>	<u>-</u>
Total	<u>\$ 109,624</u>	<u>\$ 505,085</u>	<u>\$ 336,937</u>	<u>\$ 277,772</u>

Note 7 - Liquidity - The following reflects the Organization's financial assets as of December 31, 2019, 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, 2019:	
Cash	\$ 979,287
Accounts receivable	74,435
Investments	<u>2,800,472</u>
	<u>\$ 3,854,194</u>
Less those unavailable for general expenditures within one year, due to:	
Contractual or donor-imposed restrictions:	
Restricted for Animal Services program	(202,142)
Restricted for Medical Clinic program	<u>(75,630)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 3,576,422</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, 2019

Note 9 - Operating Leases - The Organization leases office equipment under operating leases with terms of four to five years. The lease expense was \$30,422 for the year ended December 31, 2019.

The following is a schedule of minimum rental payments under the leases at December 31, 2019:

<u>Year ending December 31,</u>	<u>Amount</u>
2020	\$ 28,647
2021	25,848
2022	25,848
2023	12,924
	<u>\$ 93,267</u>

Note 10 - 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 \$116,290.

Note 11 - Professional Employer Service Agreement - The Organization has a professional employer service agreement with Insperity PEO Services, LP. All of the Organization's employees are leased from Insperity PEO Services, LP.

Note 12 - 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, 2019, the Organization's uninsured cash balances totaled \$575,778.

Note 13 - Thrift Store - The Organization operates a thrift store that sells clothing and other items with gross revenue of \$146,949 in 2019. 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 July 29, 2020, which is the date the financial statements were available to be issued. On March 21, 2020, by executive order, the State of New Jersey mandated non-essential businesses to close until further notice due to the Coronavirus pandemic. The Organization is still in operation and has received assistance through SBA Coronavirus relief programs. Management has determined that although there has been some impact to operations, there are no material adjustments necessary as of the report date.