

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE**

FINANCIAL STATEMENTS

DECEMBER 31, 2013

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Tri County Humane Society, Inc. d/b/a Tri County Animal Rescue
Boca Raton, Florida

We have audited the accompanying financial statements of Tri County Humane Society, Inc. d/b/a Tri County Animal Rescue (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tri County Humane Society, Inc. d/b/a Tri County Animal Rescue as of December 31, 2013, 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.



Boca Raton, Florida
January 22, 2015

TABLE OF CONTENTS

Independent Auditors' Report.....	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows.....	4
Statement of Functional Expenses.....	5
Notes to Financial Statements	6 – 12

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013**

ASSETS

Current assets:	
Cash	\$ 1,464,113
Investments, at fair value	261,431
Inventory	1,470
Prepaid expenses and other current assets	<u>32,416</u>
Total current assets	<u>1,759,430</u>
Property and equipment, net	<u>58,525</u>
Total assets	<u>\$ 1,817,955</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 27,465
Accrued expenses	<u>18,372</u>
Total liabilities	<u>45,837</u>
Net assets:	
Unrestricted net assets	1,768,617
Temporarily restricted net assets	<u>3,501</u>
Total net assets	<u>1,772,118</u>
Total liabilities and net assets	<u>\$ 1,817,955</u>

See accompanying notes to financial statements.

TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, income and other support:			
Contributions:			
Cash	\$ 487,095	\$ 29,514	\$ 516,609
Restricted security	200,000	-	200,000
Professional services	107,613	-	107,613
Food and supplies	83,708	-	83,708
Adoption and other fees	246,950	-	246,950
Cemetery	69,293	31,500	100,793
Fundraising events	723,011	-	723,011
Thrift shop revenues	104,816	-	104,816
Pet store revenues	4,584	-	4,584
Investment gains, net	16,084	-	16,084
Net assets released from restrictions	<u>100,758</u>	<u>(100,758)</u>	<u>-</u>
Total revenues, income and other support	<u>2,143,912</u>	<u>(39,744)</u>	<u>2,104,168</u>
Expenses:			
Program services:			
Animal rescue, shelter and adoption	1,109,095	-	1,109,095
Cemetery	51,400	-	51,400
Pet Store	10,796	-	10,796
Thrift Shop	53,081	-	53,081
Support services:			
Fundraising and development	124,829	-	124,829
General and administrative	<u>154,981</u>	<u>-</u>	<u>154,981</u>
Total expenses	<u>1,504,182</u>	<u>-</u>	<u>1,504,182</u>
Change in net assets	639,730	(39,744)	599,986
Net assets, beginning of year	<u>1,128,887</u>	<u>43,245</u>	<u>1,172,132</u>
Net assets, end of year	<u>\$ 1,768,617</u>	<u>\$ 3,501</u>	<u>\$ 1,772,118</u>

See accompanying notes to financial statements.

TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:	
Change in net assets	\$ 599,986
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	22,221
Net realized and unrealized gains from investments	(2,005)
Contribution of restricted security	(200,000)
Dividend income	(2,803)
(Increase) decrease in operating assets:	
Inventory	482
Prepaid expenses and other current assets	(20,392)
Increase (decrease) in operating liabilities:	
Accounts payable	5,666
Accrued expenses and other	<u>(6,822)</u>
Net cash provided by operating activities	<u>396,333</u>
 Cash flows from investing activities:	
Building development costs	(38,249)
Purchases of investments	(56,623)
Maturity of certificate of deposit	<u>253,385</u>
Net cash provided by investing activities	<u>158,513</u>
 Cash flows from financing activities	<u>-</u>
 Net increase in cash	554,846
 Cash, beginning of year	<u>909,267</u>
 Cash, end of year	<u>\$ 1,464,113</u>
 Supplemental disclosure for cash flow information:	
Donated restricted security	<u>\$ 200,000</u>

See accompanying notes to financial statements.

TRI COUNTY HUMANE SOCIETY, INC
D/B/A TRI COUNTY ANIMAL RESCUE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	Program Services				Support Services		Total
	Animal Rescue Shelter and Adoption	Cemetery	Pet Shop	Thrift Shop	Fundraising and Development	General and Administrative	
Personnel expenses:							
Payroll and Taxes	\$ 615,632	\$ 25,932	\$ 6,725	\$24,168	\$ 6,500	\$ 96,808	\$ 775,765
Subcontractors	23,007	-	-	-	-	-	23,007
Employee Benefits	10,414	-	-	-	-	-	10,414
Total personnel expenses	<u>649,053</u>	<u>25,932</u>	<u>6,725</u>	<u>24,168</u>	<u>6,500</u>	<u>96,808</u>	<u>809,186</u>
Occupancy expenses:							
Cleaning	1,952	-	-	-	-	345	2,297
Depreciation	13,199	1,467	-	-	-	7,555	22,221
Electricity	23,544	171	-	1,587	-	-	25,302
Landscaping	10,509	-	-	-	-	-	10,509
Rent	-	-	-	24,000	-	-	24,000
Repairs	24,205	-	-	-	-	-	24,205
Trash	41,060	4,562	-	-	-	15,207	60,829
Water	9,033	-	-	-	-	232	9,265
Total occupancy expenses	<u>123,502</u>	<u>6,200</u>	<u>-</u>	<u>25,587</u>	<u>-</u>	<u>23,339</u>	<u>178,628</u>
Animal Care Direct Costs:							
Animal Supplies	69,763	-	-	-	-	-	69,763
Animal Food	37,725	-	-	-	-	-	37,725
Fostering	3,625	-	-	-	-	-	3,625
Travel and Rescue	6,162	-	-	-	-	-	6,162
Medical Supplies	39,454	-	-	-	-	-	39,454
Veterinary	123,345	-	-	-	-	-	123,345
Total animal care direct costs	<u>280,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>280,074</u>
Other expenses:							
Accounting	11,210	2,135	-	-	-	3,548	16,893
Advertising	-	-	-	-	17,164	400	17,564
Automobile	403	237	-	-	-	344	984
Cost of Goods Sold	-	13,607	4,071	-	-	-	17,678
Computer	1,113	333	-	-	-	745	2,191
Credit Card Fees	8,327	800	-	1,412	6,381	-	16,920
Gas expense	5,822	896	-	-	-	2,239	8,957
Fundraising	-	-	-	-	94,069	-	94,069
Insurance	19,657	1,035	-	-	-	10,659	31,351
Licenses	1,167	225	-	247	-	-	1,639
Meeting	-	-	-	-	-	824	824
Office	3,363	-	-	826	-	13,931	18,120
Postage	-	-	-	-	715	2,144	2,859
Telephone	5,404	-	-	841	-	-	6,245
Total other expenses	<u>56,466</u>	<u>19,268</u>	<u>4,071</u>	<u>3,326</u>	<u>118,329</u>	<u>34,834</u>	<u>236,294</u>
Total expenses	<u>\$1,109,095</u>	<u>\$ 51,400</u>	<u>\$10,796</u>	<u>\$53,081</u>	<u>\$ 124,829</u>	<u>\$ 154,981</u>	<u>\$1,504,182</u>

See accompanying notes to financial statements.

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – DESCRIPTION OF ORGANIZATION

Tri County Humane Society, Inc. d/b/a Tri County Animal Rescue (the "Society") was incorporated in the State of Florida on November 2, 1999. The Society is located in Boca Raton, Florida, and serves primarily Palm Beach, Broward and Miami-Dade Counties. The Society operates a no-kill animal shelter designed for the placement of homeless dogs and cats with qualified prospective owners and also houses and maintains dogs and cats which cannot be placed with owners due to age, temperament, sickness or disease. The eleven acre premises also include a pet cemetery maintained by the Society. The Society seeks to prevent pet overpopulation through sterilization and public education, including a community outreach program educating and building awareness in both private and public schools, the Boy Scouts, Girl Scouts and Eagle Scouts. In addition, the Society has a pet therapy program with on-site visits to hospitals, rehab centers, and nursing homes. The Society also operates a thrift shop in Boca Raton to raise funds for its programs.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenue, gains and losses are classified into three classes of net assets based on the existence or absence of donor-imposed restrictions. The three net asset categories are reflected in the accompanying financial statements as follows:

- **Unrestricted** – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Restricted net assets received and expended in the same year are classified as unrestricted.
- **Temporarily Restricted** – Net assets whose use by the Society is subject to donor-imposed stipulations that can be fulfilled by actions of the Society pursuant to those stipulations or that expire through the passage of time.
- **Permanently Restricted** – Net assets of the Society resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Society.

Expenses generally are reported as decreases in unrestricted net assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

At December 31, 2013, the Society did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the consolidated financial statements and the reported amounts of revenues and expenses recognized during the reporting period. Actual results may differ from those estimates.

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Concentrations of Credit Risk and Market Risk

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of temporary cash deposits in excess of the Federal Deposit Insurance Corporation (the "FDIC") insured limits, which at may be in excess of the insurance limits of the FDIC. The Society has not experienced losses in such accounts. At December 31, 2013, the Society's cash accounts exceeded federally insured limits by \$935,530.

The Society holds investments in equity securities, which, inherent in the fair market value determination, include the risk factor of credit worthiness for each individual equity security. Investments are subject to both credit and market risks. Credit risk is the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. Market risk is the possibility that fluctuations in the investment market will impact the value of the portfolio.

Market risk concentration exists with respect to a restricted security donation received by the Society during 2013.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Society considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Contributions and Receivables

The Society receives cash and in-kind contributions from donations by individuals and local businesses for the support of its animal adoption program. The Society receives revenue from contributions, fundraising events, animal adoption fees, pet supply sales, thrift shop sales, and funeral and cemetery services. In-kind contributions are recognized when donated services received create or enhance long-lived assets or require specialized skills and when goods that would typically need to be purchased are provided by donation.

The Society hosts several fundraising events throughout the year. The direct costs of fundraising events (e.g., meals and entertainment, and prizes paid for by the Society) are recorded as direct fundraising expense. Donated goods and services for auction or other fundraising purposes are recorded when the related fundraising revenues are realized; no inventory of such items was on hand at December 31, 2013.

The value of items donated to the thrift shop is determined when the specific items are sold, due to the uncertainty about the value at the time of the donation.

Dogs and cats that are surrendered to the shelter are not recorded as contributions or inventory. Some animals are subsequently placed in qualified homes whereupon adoption and related revenue is recorded. Other animals remain at the shelter as their home.

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Revenue Recognition

The Society Recognizes Contribution Revenue as follows:

- **Contributions** – Unconditional promises to give are recognized as revenues with the gifts' underlying promises are received by the Society. The Society reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or a specific purpose. When a donor restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

- **In-Kind Contributions** – Support arising from donated goods, property and services is recognized in the financial statements at its fair value. Donated services are recognized when the services received:
 - a) Create or enhance non-financial assets, or
 - b) Require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Society utilizes the services of outside volunteers to perform a variety of tasks that assist the Society. The fair value of these services is not recognized in the accompanying financial statements since they do not meet the criteria of recognition under U.S. GAAP.

Investments

The Society reports its investments in common stock and mutual fund securities at fair value in the statement of financial position. Investment gains (losses), including realized and unrealized gains and losses on investments, interest and dividends, are included in the statement of activities under the caption "Investment losses, net". See Note 3.

The Society previously held an investment in a certificate deposit, which matured during 2013.

Inventory

Inventory consists primarily of items sold in the pet store and cemetery items sold as part of the Society's pet funeral services. All inventory items are recorded at the lower of cost (first-in, first-out) or market (net realizable value).

Property and Equipment

Property and equipment are stated at cost if purchased, or fair value, if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture and equipment	5 years
Modular facilities	10 years
Shelter improvements	10 years
Vehicles	5 years

The Society's policy is to capitalize expenditures of property and equipment and donated property and equipment received that exceed \$1,000 and have a useful life greater than one (1) year. When items are

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment, continued

retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of activities and changes in net assets. Repairs or betterments in excess of \$1,000 that prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

Accrued Expenses

The Society records accrued expenses primarily for payroll and related payroll taxes.

Income Taxes

The Society is exempt from federal income taxes under Section 501(c)(3) as confirmed by a determination letter issued by the Internal Revenue Services. As a result, the financial statements do not reflect a provision for income taxes.

The Society evaluated its tax positions and concluded that the Society had taken no uncertain tax positions that require adjustment to the financial statements. In addition, the Society's management is not aware of any matters which would cause the Society to lose its tax-exempt status. In general, the Society is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2010.

Any interest and penalties related to unrecognized tax benefits would be recognized as accrued expenses in its accompanying financial statements. During the year ended December 31, 2013, the Society did not recognize any interest and penalties.

Allocation of Functional Expenses

The costs of providing the various programs and other activities of the Society have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefit.

Date of Management's Review

The Society's management has evaluated events and transactions for potential recognition or disclosure in the financial statements through January 22, 2015 which is the date the financial statements were available to be issued.

Recent Accounts Pronouncements

In October 2012, the Financial Accounting Standards Board ("FASB") issued an accounting standard update ("ASU") which provides guidance for the cash flow classification of the sale of donated financial assets. The update is effective for fiscal years beginning after June 15, 2013. Adoption of this ASU is not expected to have a material impact on the financial statements.

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – FAIR VALUE MEASUREMENTS

The FASB establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

- Level 1:* Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date.
- Level 2:* Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3:* Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The assets or liability fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Mutual funds are valued at the closing price reported in the active market in which the individual securities are traded.

Non-marketable securities are valued at appraised value, if available, or at derived settlement values based on same or similar transactions.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although the Society believes its valuation methods are appropriate and consistent with that of other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. The values assigned to certain investments are based upon currently available information and do not necessarily represent amounts that may ultimately be realized.

Because of the inherent uncertainty of valuation, those estimated fair values may differ significantly from the values that would have been used had a ready market for the investments existed and the differences could be material.

The following table's presents the Society's financial assets that are measured at fair value on a recurring basis at December 31, 2013 for each of the fair value hierarchy levels:

	Fair Value Measurement			
	Fair Value	Level 1	Level 2	Level 3
Mutual fund	\$ 61,431	\$ 61,431	\$ -	\$ -
Common stock (restricted)	200,000	-	-	200,000
	<u>\$ 261,431</u>	<u>\$ 61,431</u>	<u>\$ -</u>	<u>\$ 200,000</u>

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 – INVESTMENTS

During 2013, the Society received a donation in the form of a restricted security from an individual related to a member of the Society's board of directors.

Investments in securities are presented in the financial statements at their fair values, and consist of the following at December 31, 2013:

Mutual fund	\$	61,431
Common Stock (restricted)		<u>200,000</u>
	\$	<u><u>261,431</u></u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2013:

Interest	\$	11,276
Dividends		2,803
Unrealized gain		<u>2,005</u>
		<u><u>16,084</u></u>

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2013:

Furniture and Equipment	\$	72,907
Vehicles		62,901
Modular Facilities		65,562
Shelter Improvements		322,090
Construction-in-Progress		<u>38,249</u>
		561,709
Less: accumulated depreciation		<u>(503,184)</u>
	\$	<u><u>58,525</u></u>

Total depreciation expense for the year ended December 31, 2013 was \$22,221.

**TRI COUNTY HUMANE SOCIETY, INC.
D/B/A TRI COUNTY ANIMAL RESCUE
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – LEASE COMMITMENTS

Premises Lease

The Society is party to a 30 year lease with the City of Boca Raton for premises to be used as its facility and animal shelter. In exchange for the \$1 payments per annum, the Society has assumed performance obligations, including the care, feeding, medical treatment, apprehension and collection of domestic animals within the City of Boca Raton. The agreement also requires that other operating and maintenance costs of running the facility be paid by the Society. The lease contains four, five-year renewal periods, but can be terminated by the City only for material breach of the agreement or loss of the Society's of nonprofit status. The lease is accounted for as an exchange transaction due to the nature of the Society's standby commitments.

Thrift Shop Lease

The Society is a tenant to a building lease for its thrift shop which expired in July 2014. The Society is currently operating the lease on a month-to-month basis. Rent expense related to this lease was \$24,000 for the year ended December 31, 2013.

NOTE 7 – RELATED PARTY TRANSACTIONS

The landlord to the thrift shop lease is an individual who previously was a member of the Society's board of directors.

During 2013, the Society received a donation in the form of a restricted security from an individual related to a member of the board of directors. Subsequent to year end, the Society sold the restricted security to an individual related to the donor for \$200,000.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The Society's temporarily restricted net assets are available for the following purpose:

Employee of the Month Fund	<u>\$ 3,501</u>
----------------------------	-----------------

Net assets were released from donor restrictions by incurring expenses satisfying the purposes restrictions specified by donors during 2013 are as follows:

Cemetery perpetual care expenses	\$ 31,500
Development Director	31,245
Adoption services and veterinary care	16,513
Cat room	10,000
Ancillary facility	10,000
Employee of the month	<u>1,500</u>
	<u>\$ 100,758</u>