

South Jersey Regional Animal Shelter, Inc.

Financial Statements

December 31, 2018

STRINGARI and STRINGARI
CERTIFIED PUBLIC ACCOUNTANTS

South Jersey Regional Animal Shelter, Inc.
December 31, 2018

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

To the Board of Directors of
South Jersey Regional Animal Shelter, Inc.

We have audited the accompanying financial statements of South Jersey Regional Animal Shelter, Inc. (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


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 of 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 South Jersey Regional Animal Shelter, Inc. 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.


Stringari and Stringari, CPAs
Vineland, New Jersey
June 18, 2019

South Jersey Regional Animal Shelter, Inc.
Statement of Financial Position
December 31, 2018

Assets

Current Assets:

| | |
|--|----------------|
| Cash and Equivalents | \$ 79,103 |
| Investments (Note 2) | 282,921 |
| Accounts Receivable, Net of Allowance of \$8,945 | 18,020 |
| Prepaid Insurance | 15,405 |
| Unused Gift Cards | 958 |
| <u>Total Current Assets</u> | <u>396,407</u> |

Property and Equipment:

| | |
|-----------------------------------|------------------|
| Property and Equipment (Note 4) | 2,605,185 |
| Less: Accumulated Depreciation | (835,878) |
| <u>Net Property and Equipment</u> | <u>1,769,307</u> |

Other Assets:

| | |
|--|----------------|
| Long-Term Investments - Permanently Restricted | 136,863 |
| <u>Total Other Assets</u> | <u>136,863</u> |

TOTAL ASSETS \$2,302,577

Liabilities and Net Assets

Current Liabilities:

| | |
|---------------------------------------|---------------|
| Accounts Payable and Accrued Expenses | \$ 21,888 |
| Accrued Payroll and Taxes | 19,480 |
| <u>Total Current Liabilities</u> | <u>41,368</u> |
| <u>Total Liabilities</u> | <u>41,368</u> |

Net Assets:

| | |
|----------------------------------|------------------|
| Without Donor Restrictions | 2,124,346 |
| With Donor Restrictions (Note 8) | 136,863 |
| <u>Total Net Assets</u> | <u>2,261,209</u> |

TOTAL LIABILITIES AND NET ASSETS \$2,302,577

The accompanying notes are an integral part of these financial statements.

South Jersey Regional Animal Shelter, Inc.
Statement of Activities
Year Ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|--|----------------------------------|----------------------------|---------------------|
| Revenue and Support | | | |
| <i>Public Support</i> | | | |
| Contributions | \$ 440,647 | \$ - | \$ 440,647 |
| Grant Income | 30,000 | - | 30,000 |
| Special Events / Fundraising | 77,166 | - | 77,166 |
| <i>Program Income</i> | | | |
| Adoptions/Clinic/Other Operating | 344,469 | - | 344,469 |
| Municipal Contracts | 644,150 | - | 644,150 |
| <i>Other Support</i> | | | |
| Investment Income | 12,778 | 9,945 | 22,723 |
| Unrealized Loss on Investments | (18,206) | (14,496) | (32,702) |
| Net Assets Released from Restrictions | 1,441 | (1,441) | - |
| Total Revenue and Support | 1,532,445 | (5,992) | 1,526,453 |
| Expenses | | | |
| Program Services | 1,383,987 | - | 1,383,987 |
| Management & General | 65,442 | - | 65,442 |
| Fundraising | 16,716 | - | 16,716 |
| Total Expenses | 1,466,145 | - | 1,466,145 |
| Increase (Decrease) in Net Assets | 66,300 | (5,992) | 60,308 |
| Net Assets At Beginning of Year | 2,058,046 | 142,855 | 2,200,901 |
| Net Assets At End of Year | \$ 2,124,346 | \$ 136,863 | \$ 2,261,209 |

The accompanying notes are an integral part of these financial statements.

South Jersey Regional Animal Shelter, Inc.
Statement of Functional Expenses
Year Ended December 31, 2018

| | <u>Program Services</u> | <u>Management & General Expenses</u> | <u>Fundraising Expenses</u> | <u>Total</u> |
|---------------------------------|-----------------------------|--|---------------------------------|---------------------|
| Salaries and Wages | \$ 697,103 | \$ 37,084 | \$ 7,500 | \$ 741,687 |
| Payroll Taxes | 69,016 | 3,672 | 750 | 73,438 |
| Employee Benefits | 36,459 | 1,919 | - | 38,378 |
| Accounting and Legal Fees | 42,155 | 2,219 | - | 44,374 |
| Advertising and Marketing | 7,382 | - | - | 7,382 |
| Animal Disposal | 2,128 | - | - | 2,128 |
| Bad Debts | 4,843 | - | - | 4,843 |
| Bank and Credit Card Fees | - | 6,407 | - | 6,407 |
| Depreciation | 56,370 | 2,967 | - | 59,337 |
| Drug Expenses | 93,595 | - | - | 93,595 |
| Dues | 4,531 | 239 | - | 4,770 |
| General Repairs and Maintenance | 54,905 | 2,890 | - | 57,795 |
| Insurance | 54,881 | 2,941 | 1,000 | 58,822 |
| Licenses and Permits | 1,878 | 104 | 104 | 2,086 |
| Office Expenses and Supplies | 10,947 | 576 | - | 11,523 |
| Other Expenses | 3,683 | 194 | - | 3,877 |
| Payroll Service Fees | 6,484 | 341 | - | 6,825 |
| Postage | 4,260 | 224 | - | 4,484 |
| Printing | 4,589 | - | 7,362 | 11,951 |
| Supplies | 100,533 | - | - | 100,533 |
| Telephone and Communications | 9,040 | 476 | - | 9,516 |
| Travel | 1,552 | 82 | - | 1,634 |
| Utilities | 51,362 | 2,703 | - | 54,065 |
| Veterinary Expense | 66,291 | - | - | 66,291 |
| Volunteer Expense | - | 404 | - | 404 |
| <u>Total</u> | <u>\$ 1,383,987</u> | <u>\$ 65,442</u> | <u>\$ 16,716</u> | <u>\$ 1,466,145</u> |

The accompanying notes are an integral part of these financial statements.

South Jersey Regional Animal Shelter, Inc.
Statement of Cash Flows
Year Ended December 31, 2018

Cash Flows From Operating Activities

| | |
|--|----------------|
| Increase in Net Assets | \$ 60,308 |
| Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities: | |
| Depreciation | 59,337 |
| Unrealized Loss on Investments | 32,702 |
| Investment Income | (22,124) |
| Bad Debts Expense | 4,843 |
| Decrease in Accounts Receivable | 26,882 |
| Increase in Prepaid Insurance | (5,110) |
| Increase in Other Current Assets | (746) |
| Decrease in Accounts Payable and Accrued Expenses | (21,734) |
| Increase in Accrued Payroll and Taxes | 7,053 |
| | <hr/> |
| <u>Net Cash Provided By Operating Activities</u> | <u>141,411</u> |

Cash Flows From Investing Activities

| | |
|--|------------------|
| Acquisition of Property and Equipment | (12,584) |
| Sale of Investments | 1,441 |
| Purchase of Investments | (117,000) |
| | <hr/> |
| <u>Net Cash Used by Investing Activities</u> | <u>(128,143)</u> |

| | |
|---|------------------------|
| Increase in Cash and Equivalents | 13,268 |
| Cash and Equivalents - Beginning of Year | <hr/> 65,835 |
| Cash and Equivalents - End of Year | <hr/> <u>\$ 79,103</u> |

Supplemental Disclosures of Cash Flow Information

| | |
|------------------------|------------|
| Income Tax Paid | <hr/> \$ - |
| Cash Paid for Interest | <hr/> \$ - |

The accompanying notes are an integral part of these financial statements.

(1) Summary of Significant Accounting Policies

Organization:

South Jersey Regional Animal Shelter, Inc. is a New Jersey not-for-profit corporation originally organized on July 8, 1946. The Organization's mission is to provide shelter and homes for stray and unwanted animals and humane education programs. The company filed a certificate of amendment with the State of New Jersey in May of 2018 to change its name from The New Jersey Society for the Prevention of Cruelty to Animals, Cumberland County Branch, Inc. The Organization receives funding from a variety of contributions, special events, and private grant sources. Other support includes adoptions, clinic and other operating income, municipal contracts to service local communities, and investment income. The Organization's headquarters is at 1244 N. Delsea Drive in Vineland, New Jersey with operations primarily encompassing the Cumberland County New Jersey area.

Principal Programs:

The Organization provides and operates a temporary shelter or refuge for homeless and unwanted animals. The Organization attempts to find adoptable animals loving homes to responsible owners. The Organization provides spay/neuter services through its animal clinic.

Accounting Method:

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities. Revenue is recorded when earned and expenses are recognized when incurred.

Basis of Presentation:

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. In accordance with Financial Accounting Standards Board Accounting Standards Codification 958-210-45-9, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(1) Summary of Significant Accounting Policies (continued)

Cash and Certificates of Deposit:

Cash reported in the statement of cash flows includes petty cash, general operating accounts, savings accounts, and money market funds that can be withdrawn without restriction or penalty. Cash excludes cash equivalents held in investment and endowment accounts whose use is limited by donor or board-designated restrictions.

Accounts Receivable and Allowance for Doubtful Accounts:

Receivables consist of amounts owed from municipal contracts, pledges, and other employee receivables. The Organization carries its accounts receivable at cost less an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's experience as to the collectability of outstanding receivables given a history of past writeoffs. The Organization does not accrue interest on any delinquent program receivables which are deemed delinquent if payment is not received by 120 days. At that time, the account may be turned over for collection.

Property and Equipment:

Property and equipment acquisitions are recorded at cost. Depreciation is provided for over the estimated useful life of each class of asset and is computed on the straight-line method over periods ranging from five to fifty years.

Gifts of long-lived assets, if any, such as land, buildings, or equipment are reported as unrestricted support, unless donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

The Organization's capitalization policy is to capitalize all capital items whose value is more than \$1,000 and whose useful life extends beyond one year.

Functional Allocation of Expenses:

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefitted based on either time expended or square footage of building space allocated to particular programs, whichever is more appropriate.

(1) Summary of Significant Accounting Policies (continued)

Contributions:

The Organization receives various types of contributions which are generally unrestricted. The Organization's policy is to report as unrestricted support contributions with donor-imposed restrictions when these restrictions are met in the same year that the contribution is received. The Organization reports these gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, restricted net assets are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. The Organization records contributions at the date of donation or as soon thereafter as the fair value of such contribution can be determined. The Organization did not receive any conditional promises to give from any contributor at December 31, 2018. The Organization's unconditional promises to give are all due within a one year period.

Investments:

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 of the period. Investment income and gains restricted by donor are reported as increases in net assets without donor restrictions 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. Investments also include certificates of deposit whose original maturity at the time acquired is in excess of three months and are recorded at fair value.

Net Assets with Donor Restrictions:

Net assets with donor restrictions are subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time. When a 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.

South Jersey Regional Animal Shelter, Inc.
Notes to Financial Statements
December 31, 2018

(1) Summary of Significant Accounting Policies (continued)

Advertising and Marketing Costs:

Advertising and marketing costs for non-direct response advertising are expensed as incurred.

Income Taxes:

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation by the Internal Revenue Service. However, the Organization may be subject to unrelated business income tax on its net retail sales operations if there is a profit.

Management has determined that there are no uncertain tax positions related to any activity for all statutorily open tax years (2015 to 2018) and no restatement of prior liabilities or recording of current liabilities is required.

(2) Investments

Investments that are unrestricted consist of investments established by the Board whose funds may be added or removed from the fund at the Board's discretion. Unrestricted investments are as follows:

| | <u>Fair Value</u> | <u>Cost</u> |
|----------------------------------|-------------------|-------------------|
| Branch Sweep Program - Brokerage | \$ 56,671 | \$ 56,671 |
| Stocks | 114,133 | 105,891 |
| Bonds | 112,117 | 113,782 |
| <u>Total</u> | <u>\$ 282,921</u> | <u>\$ 276,344</u> |

Interest and dividend income amounted to \$6,170, realized gains amounted to \$6,009, and unrealized losses on the investment account amounted to \$(18,206) for the year ended December 31, 2018. The Organization also earned \$599 of interest on its checking accounts.

South Jersey Regional Animal Shelter, Inc.
Notes to Financial Statements
December 31, 2018

(2) Investments (continued)

Investments that are permanently restricted consist of an endowment fund established by the donor whose stipulation to the use of the funds is that they are held in a permanent nature with income available for unrestricted purposes; however, the Organization has opted that all investment income remain donor restricted for the year ended December 31, 2018. The funds are being managed by professional fund managers and no risk or other policy exists with regard to the management of such funds. Donor restricted investments are as follows:

| | <u>Fair Value</u> | <u>Cost</u> |
|----------------------|-------------------|-------------------|
| Cash and Equivalents | \$ 1 | \$ 1 |
| Mutual Funds | <u>136,862</u> | <u>141,654</u> |
| <u>Total</u> | <u>\$ 136,863</u> | <u>\$ 141,655</u> |

Investment income received on donor restricted mutual funds amounted to \$9,903 for the year ended December 31, 2018. Realized gain on donor restricted mutual funds for the year ended December 31, 2018 amounted to \$42. Unrealized losses on donor restricted mutual funds for the year ended December 31, 2018 amounted to \$(14,496).

A tabular reconciliation of the endowment fund is as follows:

| | |
|----------------------------|-------------------|
| Balance, Beginning of Year | \$ 142,855 |
| Contributions | 0 |
| Investment Income | 9,903 |
| Fees | 0 |
| Distributions | (1,441) |
| Realized Gain | 42 |
| Unrealized Loss | <u>(14,496)</u> |
| Balance, End of Year | <u>\$ 136,863</u> |

South Jersey Regional Animal Shelter, Inc.
Notes to Financial Statements
December 31, 2018

(3) Receivables and Allowance for Doubtful Accounts

The Organization's accounts receivable consist of receivables from municipal contracts, pledges, and other employee receivables and management expects to collect on balances outstanding at year-end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. The Organization does not accrue interest on any delinquent program receivables which are deemed delinquent if payment is not received by 120 days. At that time, the Organization may turn over the account for collection. The provision for doubtful accounts amounted to \$8,945 as of December 31, 2018 and \$2,498 as of December 31, 2017.

(4) Property and Equipment

A schedule of property and equipment and related accumulated depreciation are as follows:

| <u>Description (Life in Years)</u> | <u>Cost</u> | | <u>Retirements</u> | <u>Cost</u> | |
|------------------------------------|---------------------|------------------|--------------------|---------------------|--|
| | <u>12/31/2017</u> | <u>Additions</u> | | <u>12/31/2018</u> | |
| Land | \$ 233,850 | \$ - | \$ - | \$ 233,850 | |
| Buildings & Improvements (40-50) | 2,076,557 | | | 2,076,557 | |
| Transport Equipment (5) | 48,900 | | | 48,900 | |
| Furniture & Equipment (5-10) | 233,294 | 12,584 | | 245,878 | |
| Total Assets | 2,592,601 | 12,584 | 0 | 2,605,185 | |
| Less: Accumulated Depreciation | (776,541) | | | (835,878) | |
| Net Recorded Value | <u>\$ 1,816,060</u> | | | <u>\$ 1,769,307</u> | |

The cost of fully depreciated assets is \$176,779 at December 31, 2018. Depreciation expense is \$59,337 for the year ended December 31, 2018.

(5) Related Party Transactions

The Organization has the following related party transactions related to Board Member businesses: \$1,768 for various supplies purchased during the year ended December 31, 2018. No amounts were payable to related parties at December 31, 2018.

South Jersey Regional Animal Shelter, Inc.
Notes to Financial Statements
December 31, 2018

(6) Certain Commitments, Contingencies, Significant Estimates, and Concentrations

The Organization is funded by various municipal contracts administered by various townships and municipalities. A significant change in available funding could severely impact the Organization's operations. However, the Organization is in full compliance with the contract terms and conditions and management is not aware of any significant changes in funding.

(7) Special Events

The Organization held various nonprofessional fundraising events with the results as follows:

| | |
|--------------------|------------------|
| Income | \$ 98,257 |
| Less: Direct Costs | <u>(21,091)</u> |
| Net Profit | <u>\$ 77,166</u> |

(8) Net Assets with Donor Restrictions

Net Assets with Donor Restrictions consists of an investment endowment fund based on a contribution from private donors. Although revenue from these funds may be utilized by operations, the principal or corpus must remain in a restricted endowment fund. Net assets with donor restrictions at December 31, 2018 consist of the following:

| | |
|-------------------------------|-------------------|
| Investments (endowment funds) | <u>\$ 136,863</u> |
|-------------------------------|-------------------|

(9) Subsequent Events

Management has evaluated subsequent events for the period January 1, 2019 to June 18, 2019 (date of issuance) for disclosure.

(10) Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the balance sheet date.

| | |
|---|-------------------|
| Financial assets at year-end | \$ 498,887 |
| Less those unavailable for general expenditures within one year, due to: | |
| Donor restrictions | <u>(136,863)</u> |
| Financial assets available to meet cash needs for general expenditure within one year | <u>\$ 362,024</u> |

South Jersey Regional Animal Shelter, Inc.
Notes to Financial Statements
December 31, 2018

(11) Fair Value Measurements

In accordance with FASB *Accounting Standards Codification* 820, Fair Value Measurements & Disclosures, the following is a disclosure of financial instruments at December 31, 2018 for assets measured at fair value on a recurring basis:

| | Value 12/31/18 | Quoted Prices in Active Markets for Identical Assets (Level 1) | (Level 2) | (Level 3) |
|-------------------------------|-------------------|--|-----------|-----------|
| Investments - Brokerage Sweep | \$ 56,672 | \$ 56,672 | \$ 0 | \$ 0 |
| Investments - Stocks | \$114,133 | \$114,133 | \$ 0 | \$ 0 |
| Investments - Bonds | \$112,117 | \$112,117 | \$ 0 | \$ 0 |
| Investments - Mutual Funds | \$136,862 | \$136,862 | \$ 0 | \$ 0 |

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified with Level 1 of the fair value hierarchy. Level 1 investments consist of investments in mutual funds and cash equivalents. When quoted prices in active markets are not available, fair values are determined using pricing models and the inputs to those pricing models are based on observable inputs in active markets. The inputs to the pricing models are typically benchmark yields and financial institution stated rates and values. Level 2 investments consist of certificates of deposit.

Other financial instruments not measured at fair value on a recurring basis include cash, receivables, accounts payable, accrued expenses, and other liabilities. These are reflected in the financial statements at cost due to their short-term nature.

(12) Litigation

The Organization is occasionally involved in certain legal claims arising in the ordinary course of operations. No liability has been accrued on the accompanying statement of financial position in regard to any outstanding litigation.