

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

Independent Auditors' Report
and
Audited Financial Statements

December 31, 2015 and 2014

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Independent Auditors' Report

To the Board of Directors
Humane Society of Sarasota County, Inc.

We have audited the accompanying financial statements of Humane Society of Sarasota County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Humane Society of Sarasota County, Inc. as of December 31, 2015 and 2014, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplee Shea Cramer & Rocklein PA

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Sarasota, Florida

July 11, 2016

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Humane Society of Sarasota County, Inc.
Statements of Financial Position
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 659,190	\$ 813,902
Investments	8,796,039	7,577,959
Promises to give	5,641	540
Inventory	8,809	9,890
Prepaid expenses and other assets	40,111	25,808
Contributions receivable from charitable trusts	1,068,195	1,912,433
Contributions receivable - donated leasehold interest in land	64,208	66,508
Beneficial interest in assets held by others	108,172	114,059
Life insurance cash surrender value	20,251	16,127
Property and equipment, net of accumulated depreciation	<u>1,316,369</u>	<u>1,289,201</u>
TOTAL ASSETS	<u><u>\$ 12,086,985</u></u>	<u><u>\$ 11,826,427</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 62,886	\$ 32,923
Accrued payroll and benefits	45,697	44,005
Unearned income	<u>3,740</u>	<u>3,625</u>
Total Liabilities	<u>112,323</u>	<u>80,553</u>
<u>Net Assets</u>		
Unrestricted net assets	10,723,702	9,622,209
Temporarily restricted net assets	<u>1,250,960</u>	<u>2,123,665</u>
Total Net Assets	<u>11,974,662</u>	<u>11,745,874</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 12,086,985</u></u>	<u><u>\$ 11,826,427</u></u>

Humane Society of Sarasota County, Inc.
Statements of Activities

For the Years Ended December 31, 2015 and 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenues, Gains, (Losses) and Other Support:						
Donations	\$ 635,130	\$ -	\$ 635,130	\$ 582,859	\$ -	\$ 582,859
Grants	-	25,000	25,000	10,000	5,000	15,000
Bequests	483,094	-	483,094	3,012,965	758,898	3,771,863
Change in the value of contributions from charitable trusts	-	(85,341)	(85,341)	-	228,136	228,136
Change in beneficial interest in assets held by others	(5,887)	-	(5,887)	1,685	-	1,685
Change in the cash surrender value of life insurance	-	4,124	4,124	-	3,928	3,928
Interest and dividend income	222,402	-	222,402	127,764	-	127,764
Realized and unrealized gains (losses) on investments, net of investment fees of \$71,421 in 2015 and \$37,977 in 2014	(418,889)	-	(418,889)	170,129	-	170,129
Special events, net of expenses of \$138,606 in 2015 and \$123,224 in 2014	171,452	-	171,452	214,734	-	214,734
Retail center sales, net of cost of goods sold of \$33,419 in 2015 and \$35,941 in 2014	26,984	-	26,984	24,593	-	24,593
Program services	199,082	-	199,082	214,004	-	214,004
BP Settlement	460,967	-	460,967	-	-	-
Other income	169	-	169	163	-	163
Net assets released from restrictions	816,488	(816,488)	-	76,577	(76,577)	-
Total revenues, gains, (losses) and other support	2,590,992	(872,705)	1,718,287	4,435,473	919,385	5,354,858
Operating Expenses:						
Program services	1,274,904	-	1,274,904	1,117,848	-	1,117,848
Management and general	92,029	-	92,029	86,859	-	86,859
Fundraising	122,566	-	122,566	95,444	-	95,444
Total operating expenses	1,489,499	-	1,489,499	1,300,151	-	1,300,151
Increase (decrease) in net assets	1,101,493	(872,705)	228,788	3,135,322	919,385	4,054,707
Net assets at beginning of year	9,622,209	2,123,665	11,745,874	6,486,887	1,204,280	7,691,167
Net assets at end of year	\$ 10,723,702	\$ 1,250,960	\$ 11,974,662	\$ 9,622,209	\$ 2,123,665	\$ 11,745,874

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

Humane Society of Sarasota County, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 228,788</u>	<u>\$ 4,054,707</u>
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	78,175	77,504
Non-cash contributions	(1,045,706)	(2,187,841)
Realized and unrealized (gain) loss on investments	347,468	(208,106)
Change in the value of contributions from charitable trusts	85,341	(228,136)
Change in the value of beneficial interest in assets held by others	5,887	(1,685)
Change in the cash surrender value of life insurance	(4,124)	(3,928)
Donated leasehold interest in land	2,300	2,300
(Increase) Decrease in:		
Accounts receivable	-	952
Promises to give	(5,101)	3,408
Bequest receivable	-	3,000
Inventory	1,081	(1,692)
Prepaid expenses and other assets	(14,303)	(11,851)
Change in contributions receivable from charitable trusts	844,238	(758,898)
Increase (Decrease) in:		
Accounts payable and accrued expenses	29,963	4,601
Accrued payroll and benefits	1,692	13,791
Unearned income	115	3,625
Total Adjustments	<u>327,026</u>	<u>(3,292,956)</u>
Net cash provided by operating activities	<u>555,814</u>	<u>761,751</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(105,343)	(13,059)
Proceeds from sale of investments	1,586,866	7,277,831
Purchases of investments	<u>(2,192,049)</u>	<u>(7,689,685)</u>
Net cash (used) by investing activities	<u>(710,526)</u>	<u>(424,913)</u>
Net increase (decrease) in cash and cash equivalents	<u>(154,712)</u>	<u>336,838</u>
Cash and cash equivalents, beginning of year	<u>813,902</u>	<u>477,064</u>
Cash and cash equivalents, end of year	<u><u>\$ 659,190</u></u>	<u><u>\$ 813,902</u></u>

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services				Supporting Services			
	Adoption	Kennel	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services Expenses
Salaries	\$ 184,972	\$ 357,486	\$ 30,105	\$ 196,150	\$ 768,713	\$ 68,333	\$ 45,923	\$ 882,969
Employee benefits & taxes	32,292	71,364	2,628	27,896	134,180	9,539	5,687	149,406
Kennel supplies	-	84,034	-	-	84,034	-	-	84,034
Kennel supplies - in-kind	-	601	-	-	601	-	-	601
Veterinary medical services	-	11,533	-	-	11,533	-	-	11,533
Contracts and services	164	1,875	-	1,097	3,136	391	54	3,581
Utilities	1,233	34,450	1,540	5,341	42,564	1,322	-	43,886
Repairs and maintenance	3,154	19,097	9,156	5,441	36,848	1,519	442	38,809
Insurance	4,574	17,435	-	3,585	25,594	1,706	90	27,390
Printing	1,456	763	206	1,285	3,710	1,514	363	5,587
Development	328	-	2,746	886	3,960	-	55,830	59,790
Accounting and legal	3,401	7,681	5,029	3,238	19,349	1,250	1,138	21,737
Telephone	1,784	2,003	-	2,235	6,022	979	704	7,705
Postage	55	61	-	18	134	2	3,203	3,339
Auto	4,615	2,057	-	37	6,709	7	-	6,716
Equipment lease	939	1,248	-	98	2,285	187	231	2,703
Office supplies	350	144	-	396	1,094	9	265	1,368
Bank charges	1,217	304	60	533	2,114	99	7,700	9,913
Program materials	1,554	2,486	3,593	8,208	15,841	-	-	15,841
Property taxes	233	2,802	-	434	3,469	3,527	-	6,996
Lease expense	69	1,932	13,655	253	15,909	56	-	15,965
Dues and subscriptions	75	447	50	150	722	105	350	1,177
Seminars and training	-	-	-	868	868	-	522	1,390
Miscellaneous	209	5,886	2,493	316	8,904	(80)	64	8,888
Total Direct Expenses	242,674	625,689	71,465	258,465	1,198,293	90,465	122,566	1,411,324
Depreciation	25,537	25,537	-	25,537	76,611	1,564	-	78,175
Total Expenses	\$ 268,211	\$ 651,226	\$ 71,465	\$ 284,002	\$ 1,274,904	\$ 92,029	\$ 122,566	\$ 1,489,499

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

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2014

	Program Services				Supporting Services			Total
	Adoption	Kennel	Community Outreach	Total Program Expenses	General and Administrative	Fund-Raising	Total Supporting Services Expenses	
Salaries	\$ 180,662	\$ 341,068	\$ 149,444	\$ 671,174	\$ 46,631	\$ 31,626	\$ 78,257	\$ 749,431
Employee benefits & taxes	31,807	63,070	23,986	118,863	8,315	5,145	13,460	132,323
Kennel supplies	-	82,860	-	82,860	-	-	-	82,860
Kennel supplies - in-kind	-	1,676	-	1,676	-	-	-	1,676
Veterinary medical services	-	3,257	-	3,257	-	-	-	3,257
Contracts and services	201	3,136	11,490	14,827	1,333	36	1,369	16,196
Utilities	1,653	34,643	5,374	41,670	827	-	827	42,497
Repairs and maintenance	5,184	22,627	3,674	31,485	8,517	6,436	14,953	46,438
Insurance	2,943	22,446	5,963	31,352	1,792	70	1,862	33,214
Printing	1,378	583	728	2,689	31	219	250	2,939
Development	1,248	-	1,723	2,971	-	39,449	39,449	42,420
Accounting and legal	78	78	78	234	14,087	-	14,087	14,321
Telephone	2,727	1,479	1,962	6,168	1,126	829	1,955	8,123
Postage	80	16	94	190	181	2,919	3,100	3,290
Auto	34	1,291	949	2,274	-	-	-	2,274
Equipment lease	841	186	1,016	2,043	160	216	376	2,419
Office supplies	893	910	481	2,284	1,237	55	1,292	3,576
Bank charges	-	603	2,265	2,868	133	6,951	7,084	9,952
Program materials	1,307	1,292	7,308	9,907	-	918	918	10,825
Property taxes	134	2,822	565	3,521	170	-	170	3,691
Land lease expense	69	1,932	253	2,254	56	-	56	2,310
Dues and subscriptions	23	353	23	399	256	350	606	1,005
Seminars and training	1,251	364	-	1,615	-	150	150	1,765
Miscellaneous	936	3,552	825	5,313	457	75	532	5,845
Total Direct Expenses	233,449	590,244	218,201	1,041,894	85,309	95,444	180,753	1,222,647
Depreciation	25,318	25,318	25,318	75,954	1,550	-	1,550	77,504
Total Expenses	\$ 258,767	\$ 615,562	\$ 243,519	\$ 1,117,848	\$ 86,859	\$ 95,444	\$ 182,303	\$ 1,300,151

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

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies

Organization

Humane Society of Sarasota County, Inc. ("The Organization") is a Florida nonprofit corporation formed in 1954. The Organization's purpose is to provide pet adoption and related services in Sarasota County, Florida.

The Organization relies on community funding to pursue its mission to provide abandoned pets with compassionate care and shelter while promoting responsible pet ownership and securing permanent homes. The Organization offers pet adoptions, humane education, veterinary clinic services, pet therapy for children, seniors and those living with special needs and a large community outreach program.

Financial Statements

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

Basis of Accounting

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

Use of Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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. Accordingly, actual results may differ from those estimates and assumptions.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to explicit or implicit donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Organization has adopted FASB Accounting Standards Codification 958-320-45, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ("FASB ASC 958-320-45"). This statement requires reporting investments in equity securities that have readily determinable fair values and for all investments in debt securities at fair value.

Gains and losses are reported in the statement of activities as increases or decreases in unrestricted net assets unless the use of the investments are temporarily or permanently restricted by explicit donor stipulations.

Dividends, interest, and other investment income is reported in the period earned as increases in unrestricted net assets, unless the use of the asset received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in temporarily or permanently restricted net assets.

Fair market valuations are generally determined as follows:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those or similar investments.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenue when the donor commitment is received. Unconditional promises are recognized net of allowances. Promises made that are designated for future periods or restricted by donor specific purposes are recorded as temporarily restricted or permanently restricted support. However if the restriction is fulfilled in the same time period in which the contribution is received, the Organization records the support as unrestricted.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

Contributions and Promises to Give (continued)

The Organization used the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2015 and 2014, all amounts included in promises to give are deemed collectible, therefore no allowance was necessary.

Beneficial Interest in Assets Held by Others

The Organization has transferred assets to The Community Foundation of Sarasota County, Inc. (the Foundation) to manage its investment fund. In accordance with FASB Accounting Standards Codification 958-605 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* ("FASB ASC 958-605", the Organization records the beneficial interest in the assets held by the Foundation at fair value in its statements of financial position; the fair value is re-measured annually and the change in fair value is reflected in the Foundation's statements of activities. See also "Fair Value Measurements", below, and Note 5 - Beneficial Interest in Assets Held by Others.

Property and Equipment

Property and equipment are stated at cost, if purchased, or estimated fair value at the date of receipt if acquired by gift. Property and equipment are recorded as unrestricted net assets or temporarily restricted net assets when the donations have a time stipulation. Expenditures over \$1,000 that significantly add to the productivity or extend the useful lives of property and equipment are capitalized. Other expenditures for maintenance and repairs are expensed to operations in the period the costs are incurred. It is the policy of the Organization to maintain all property and equipment in good condition.

Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Estimated service lives range from three to thirty-nine years.

Donated Materials and Services

The Organization's policy is to record donated materials and equipment at their estimated fair market values at the date of receipt. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services. A substantial number of volunteers donated significant amounts of their time by working directly with the adoptable animals in training and enhancing the overall quality of their lives as well as providing the Organization services in its fund raising efforts.

Inventory

Inventory consists of pet supplies, pet medications, and food and is recorded at cost.

Income Tax Status

The Organization has been recognized by the Internal Revenue Service as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

ASC Topic 740 requires the Organization to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2015 and 2014.

The Organization files a U.S. Federal information return. The Federal returns for the tax years 2012 through 2014 remain subject to examination by the Internal Revenue Service.

Revenue Recognition

The Organization recognizes donations when a written commitment from a donor is received. Occasionally, the Organization receives revenue from other nonprofit organizations, and the Organization recognizes grant revenue when awarded on an unconditional basis.

Bequests are recorded as revenue when the donor is deceased, the estate has been finalized, and the amount to be received can be estimated and is reasonably certain. Contributions from charitable trusts are recorded when trusts are irrevocable and the amount to be received can be estimated and is reasonably certain. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Amortization of the discount is included in bequest revenue. Conditional promises to give are not included until the conditions are substantially met.

Donations that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted donations are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Value Measurements

The Organization adopted FASB Accounting Standards Codification 820-10 *Fair Value Measurements* ("FASB ASC 820-10", which defines fair value, expands disclosure requirements around fair value, and specifies a hierarchy of valuation techniques. FASB ASC 820-10 applies to all assets and liabilities required to be measured and reported at fair value on a recurring or nonrecurring basis. In the Organization's case, FASB ASC 820-10 applies to its contributions receivable from charitable trusts, investments, and assets included in the line item "Beneficial Interest in Assets Held by Others". The fair value hierarchy, which ranks the quality and reliability of the information used to determine fair value, is as follows:

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 1 - Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar or identical instruments in active markets, non-active markets, or other significant observable inputs.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

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 programs and supporting services benefited based on direct usage or management's estimates of the benefit derived by each activity. The three classifications of expenses are program expenses, management and general expenses, and fundraising expenses.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – Promises to Give

Promises to give include unconditional promises made by donors that are receivable in one year or less. The balance at December 31, 2015 and 2014 was \$5,641 and \$540.

NOTE 3 – Investments

The goal for the Organization is to provide a real total rate of return that preserves the purchasing power of the Organization's assets, while generating an income stream to support the Organization's activities. The Organization's real total return will be sought from an investment strategy that provides an opportunity for superior total return within acceptable levels of risk and volatility.

For the long-term, the primary investment objective for the Organization is to earn a total return (net of portfolio management fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Organization's assets and support the defined spending policy. Therefore, the primary objective of the Organization is to achieve a total return of 6.5%.

The Board of Directors understands the long-term nature of the Organization and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the percentage of assets will be in equity or equity-like securities and alternative investments, while maintaining broad diversification across major asset classes in order to avoid dramatic declines in portfolio value.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 3 – Investments (continued)

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Organization, but is residual to the investment process and is used to meet short-term liquidity needs.

To achieve its investment objectives, the Organization shall allocate among a number of broad asset and sub-asset classes. Diversification among the various asset classes is necessary to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total investment portfolio.

The general policy shall be to diversify investments among equity, fixed income and alternative asset securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single class or investment category.

The target asset allocation should provide an expected total return equal to or greater than the primary return objective of the Organization, while avoiding undue risk concentrations in any single asset class or category; thus, reducing risk at the overall portfolio level. To achieve these goals, the asset allocation mix will include domestic equities and international equities (20-30%), fixed income securities (50%-70%), alternatives, hedge funds, and REITs (5%-15%) and cash and equivalents (0%-12%).

The following summarizes the market value of investments as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Equity securities	\$ 2,970,046	\$ 2,361,624
Fixed income securities	4,602,943	4,273,877
Commodity mutual funds	681,960	480,473
Preferred/Fixed rate cap sec	202,303	119,173
Cash and cash equivalents	<u>338,787</u>	<u>342,812</u>
Total	<u>\$ 8,796,039</u>	<u>\$ 7,577,959</u>

The following schedule summarizes the components of net investment income as reported in the statement of activities for the years ended December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 222,402	\$ 127,764
Net realized and unrealized gains (losses)	(347,468)	208,106
Investment fees	<u>(71,421)</u>	<u>(37,977)</u>
Total	<u>\$ (196,487)</u>	<u>\$ 297,893</u>

NOTE 4 – Contributions Receivable from Charitable Trusts

In 1998, a donor established a trust naming the Organization as a 100% beneficiary of a charitable remainder trust. Fair market value of the assets held in the charitable remainder trust totaled \$1,391,640 and \$1,501,971 at December 31, 2015 and 2014, respectively. The Organization is to receive the remainder interest upon the death of the last of the income beneficiaries. Based on the donors' life expectancies, the assumption that the annual rate of return will equal the 5% payout that is paid to the beneficiaries each year, and use of a 3.9% discount rate in 2015 and a 3.7% discount rate in 2014, the present value of the future benefit expected to be received by the Organization was estimated to be \$778,576 and \$851,119 at December 31, 2015 and 2014, respectively.

In 1994, the Organization was named as a beneficiary of a 25% current income and remainder interest in certain other investments valued at \$905,993 and \$980,500 (100%) at December 31, 2015 and 2014, respectively. Income is distributed monthly to the income beneficiaries. The principal remainder will be paid out to the Organization in 2018, which is the 20th anniversary of the grantor's death. Based on the use of a 1.9% discount rate in 2015 and a 1.9% discount rate in 2014, the present value of the future benefit expected to be received by the Organization was estimated to be \$218,880 and \$228,141 at December 31, 2015 and 2014, respectively.

In 2001, a donor established a trust naming the Organization as a 25% beneficiary in the remainder interest of two other trusts valued at \$229,615 and \$239,447 (100%) in total at December 31, 2015 and 2014, respectively. Periodic payments totaling 7% of the fair value of the investments annually are made to each of the two income beneficiaries. The Humane Society is to receive its share of the net assets upon the death of each of the income beneficiaries. Based on the donors' life expectancies, the assumption that the annual rate of return will equal the 7% payout that is paid to the beneficiaries each year, and use of a 3.9% and 3.8% discount rate in 2015 and a 3.6% and 3.5% discount rate in 2014, the present value of the future benefit expected to be received by the Organization was estimated to be \$31,029 and \$36,032, in total, at December 31, 2015 and 2014, respectively.

In 2008, a donor established a trust naming the Organization as a beneficiary in a charitable remainder trust. The Organization is to receive \$50,000 upon the death of the income beneficiary. Fair market value of the assets held in the charitable remainder trust totaled \$1,651,051 and \$1,825,187 at December 31, 2015 and 2014, respectively. Based on the donors' life expectancy and use of a 3.3% discount rate for 2015 and a 3.1% discount rate for 2014, the present value of the future benefit expected to be received by the Organization was estimated to be \$39,710 and \$38,243 at December 31, 2015 and 2014, respectively.

NOTE 4 - Contributions Receivable from Charitable Trusts (continued)

In February 2013, the Organization was notified that it was named as a beneficiary in the Jeanne L. Key Trust dated August 16, 1991, as amended and restated on March 12, 2008. The trust specifies that after the payment of liabilities, expense of administration, and numerous specific devises as outlined in the trust, the balance of the assets will be divided equally between the Organization and one other charitable organization. For the current calendar year revenue in the amount of \$72,000 was recognized. Due to the uncertainty of liabilities and trust administration expenses and potential market fluctuations, a receivable was not recognized as of December 31, 2015, nor is it possible to reasonably estimate the total amount anticipated.

The Organization was notified that it was named as a beneficiary in the Rose P. Durham Trust dated July 31, 2012. The trust specifies that after the payment of liabilities, expense of administration, and numerous specific devises as outlined in the trust, the Organization will receive one-eighth (1/8) of the remaining balance of the assets. For the prior calendar year revenue in the amount of \$758,898 was recognized. The trust's responsibility to the organization has been satisfied, there is no remaining receivable balance as of year end.

The Organization is aware that it is a named beneficiary in certain other wills and trusts. It is difficult to estimate a value for such intentions to give because individuals retain the ability to modify their wills and trusts during their lifetimes. Because of this uncertainty, no revenue or receivable has been recognized, nor is it possible to reasonably estimate a meaningful range of the total amount anticipated. Also, due to potential market fluctuations, it is reasonably possible that the amount of the Organization's contributions receivable from charitable trusts that is expected to be realized might change in the near future.

NOTE 5 - Beneficial Interest in Assets Held by Others

As explained in Note 1, "Beneficial Interest in Assets Held by Others", the Organization has transferred assets to The Community Foundation of Sarasota County, Inc. ("the Foundation"). The Foundation is a nonprofit community foundation that, among other things, offers donors such as the Organization the ability to participate in the Foundation's investment pool.

On January 1, 2008, the Organization transferred an initial deposit of \$100,000 to the Community Foundation of Sarasota County, Inc. (the Foundation) to establish the Humane Society of Sarasota County Endowment Fund ("Fund"). According to the agreement, with the Foundation, the fund shall be used for support of the charitable and educational purposes of the Organization. Distributions from the fund shall be in accordance with the spending policy established by the Board of the Foundation and shall be paid and distributed at least annually, or more frequently, as the parties may agree, but no more frequently than quarterly. Distributions in excess of the Foundation's spending policy may be made to the Organization in any year as determined by the Board of the Foundation.

NOTE 5 - Beneficial Interest in Assets Held by Others (continued)

The Foundation will have the responsibility and authority for the investment of the assets of the Fund. The Fund may be commingled with other funds held by the Foundation to maximize investment value. The Fund shall be continued as long as the need therefore exists and money or other property is available in the Fund for its purpose. Variance power was granted to the Foundation. The exercise of such power shall not be effective until the Foundation notifies the Organization of any decision made to exercise the variance power. Notification should be delivered in writing within 30 days following the Board's decision. The Foundation shall also notify the Organization of any other action instituted or proposed by any person to vary the purposes, uses or method of administration of the Fund.

The beneficial interest is recorded at the fair market value of the Fund as reported by the Foundation. Changes in the value of the Fund are recorded as changes in beneficial interest in assets held by others in the statement of activities. As of December 31, 2015, the fair market value of the Fund was \$108,172 and the change in the value of the Fund was (\$5,887.) As of December 31, 2014, the fair market value of the Fund was \$114,059 and the change in the value of the Fund was \$1,685.

NOTE 6 – Contributions Receivable – Donated Leasehold Interest in Land

Part of the Organizations facilities presently used to provide housing for sheltered animals is situated on land that is leased under a 50 year agreement with the City of Sarasota, Florida at \$10 per year, terminating in the year 2043.

In accordance with FASB Accounting Standards Codification 958-605, *Accounting for Contributions Received and Contributions Made* ("FASB ASC 958-605", the difference between the Organizations' annual rent and the fair market value of the lease has been recorded as contribution revenue. Each year, a portion of the revenue is released from temporarily restricted net assets and recorded as an expense. Net assets released from restrictions in regards to the contribution of the land for the years ended December 31, 2015 and 2014 was \$2,300 and \$2,300, respectively. Lease expense for the property was \$2,300 and \$2,300 for the years ended December 31, 2015 and 2014, respectively.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 7 - Property and Equipment

A summary of property and equipment as of December 31, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 5,000	\$ 5,000
Buildings and improvements	1,630,494	1,598,230
Furniture and equipment	772,257	757,289
Vehicle	80,591	47,823
Construction in Progress	<u>25,344</u>	<u>-</u>
	2,513,686	2,408,342
Less accumulated depreciation	<u>(1,197,317)</u>	<u>(1,119,141)</u>
Furniture, fixtures and equipment, net	<u>\$ 1,316,369</u>	<u>\$ 1,289,201</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$78,175 and \$77,504, respectively.

NOTE 8 - Temporarily Restricted Net Assets

Temporary restrictions on net assets relate to amounts from donors restricted for specific purposes, as well as contributions receivable from charitable trusts from future periods. Temporarily restricted net assets consist of the following:

	<u>2015</u>	<u>2014</u>
Catherine Tringali Fund	\$ 7,785	\$ 43,785
Milton Medical Fund	15,545	27,079
Contributions receivable from charitable trusts	1,068,195	1,912,433
Contributions receivable – donated leasehold interest in land	64,208	66,508
Life insurance cash surrender value	20,251	16,127
ASPCA	685	5,000
Baldwin Fund	43,898	43,898
Dupuis Fund	8,500	-
Heinz Fund	<u>21,893</u>	<u>8,835</u>
	<u>\$ 1,250,960</u>	<u>\$ 2,123,665</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 8 - Temporarily Restricted Net Assets (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2015</u>	<u>2014</u>
Catherine Tringali Fund	(36,000)	(39,000)
Milton Medical Fund	(11,533)	(3,258)
Jessie's Fund	-	(2,631)
Paws to Care	-	(4,471)
Contributions Receivable	(758,898)	(3,000)
ASPCA	(6,257)	(2,474)
Baldwin Fund	-	(175)
Dupuis Fund	(1,500)	-
Heinz Fund	-	(19,268)
Land lease	(2,300)	(2,300)
	<u>\$ (816,488)</u>	<u>\$ (76,577)</u>

NOTE 9 - Concentration of Credit Risk

Humane Society of Sarasota County, Inc. maintains cash accounts in a commercial bank located in Sarasota, Florida. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the account balance may exceed \$250,000. The Organization had \$425,931 and \$562,653 in excess of federally insured deposits at December 31, 2015 and 2014, respectively.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 10 - Fair Value Measurements

The Organization's assets measured at fair value by level in the fair value hierarchy described at Note 1 "Fair Value Measurements" consists of the following at December 31, 2015 and 2014:

		Fair Value Measurements at Reporting Date		
		Using		
		Quoted Prices in	Significant	Significant
		Active Markets	Other	Unobservable
		for Identical	Observable	Inputs
		Assets	Inputs	Inputs
Description of asset	12/31/15	(Level 1)	(Level 2)	(Level 3)
Equity securities	\$ 2,970,046	\$ 2,970,046	\$ -	\$ -
Fixed income securities	4,602,943	4,602,943	-	-
Preferred/Fixed rate cap sec	202,303	202,303	-	-
Commodity mutual fund	681,960	681,960	-	-
Cash and cash equivalents	338,787	338,787	-	-
Contributions receivable				
from charitable trusts	1,068,195	-	-	1,068,195
Life insurance cash				
surrender value	20,251	-	-	20,251
Beneficial interest in				
assets held by others*	<u>108,172</u>	<u>99,183</u>	<u>1,936</u>	<u>7,053</u>
Total	\$ <u>9,992,657</u>	\$ <u>8,895,222</u>	\$ <u>1,936</u>	\$ <u>1,095,499</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2015.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2014	\$ 1,935,985
Change in value	<u>(836,362)</u>
Balance as of December 31, 2015	\$ <u>1,099,623</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2015 and 2014

NOTE 10 - Fair Value Measurements (continued)

Description of asset	12/31/14	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 2,361,624	\$ 2,361,624	\$ -	\$ -
Fixed income securities	4,273,877	4,273,877	-	-
Public REITs	119,173	119,173	-	-
Commodity mutual fund	480,473	480,473	-	-
Cash and cash equivalents	342,812	342,812	-	-
Contributions receivable from charitable trusts	1,912,433	-	-	1,912,433
Life insurance cash surrender value	16,127	-	-	16,127
Beneficial interest in assets held by others*	<u>114,059</u>	<u>104,581</u>	<u>2,053</u>	<u>7,425</u>
Total	\$ <u>9,620,578</u>	\$ <u>7,682,540</u>	\$ <u>2,053</u>	\$ <u>1,935,985</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2014.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2013	\$ 948,187
Change in value	<u>987,798</u>
Balance as of December 31, 2014	\$ <u>1,935,985</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 11 – Deepwater Horizon Settlement

Due to the effects of the 2010 Deepwater Horizon Oil Spill the Organization underwent the process of applying for a Deepwater Horizon Claim. During the current year the settlement claim was completely processed and considered complete. The Organization received a settlement payment of \$460,967, net of professional service fees. This payment is considered to represent full and final disbursement of the claim.

NOTE 12 – Subsequent Events

Subsequent events have been evaluated through July 11, 2016, the date the financial statements were available to be issued.