

FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE

AUDITED FINANCIAL STATEMENTS

December 31, 2015



BEAN, RHOTON & KELLEY, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Franklin County Humane Society
Winchester, Tennessee

We have audited the accompanying financial statements of the Franklin County Humane Society (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, 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.

Auditors' 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 auditors' 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 auditors consider 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 Franklin County Humane Society as of December 31, 2015, 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.

A handwritten signature in cursive script that reads "Bean, Rhoton & Kelley, PLLC".

Winchester, Tennessee
May 13, 2016

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015**

ASSETS

Current assets:

Cash and cash equivalents		\$	84,858.65
Cash - temporarily restricted			11,402.33
Unconditional promises to give, net (Note 14)			62,167.30
Prepaid assets			4,271.04
Total current assets			<u>162,699.32</u>

Non-current assets:

Unconditional promises to give, net (Note 14)			6,659.00
Other non-current assets			400.00

Capital assets

Land	\$	108,360.20	
Buildings		614,649.61	
Furniture, fixtures and equipment		107,624.57	
Vehicles		<u>28,000.00</u>	\$ 858,634.38
Less accumulated depreciation			<u>(80,910.00)</u>
Total non-current assets			<u>777,724.38</u>

Total assets \$ 947,482.70

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable		\$	16,999.19
Accrued salaries and leave			1,603.93
Payroll taxes payable			3,775.50
Current portion of notes payable (Note 13)			<u>22,234.44</u>
Total current liabilities			<u>44,613.06</u>

Long-term liabilities:

Deferred revenue (Note 5)			27,812.00
Notes payable	\$	270,000.00	
Less current portion of notes payable		<u>(22,234.44)</u>	<u>247,765.56</u>
Total long-term liabilities			<u>275,577.56</u>

Total liabilities 320,190.62

Net assets:

Unrestricted	\$	596,201.75	
Temporarily restricted - education and character building program		6,175.01	
Temporarily restricted - life estate		19,688.00	
Temporarily restricted - low-income spay program		3,765.00	
Temporarily restricted - shelter equipment		<u>1,462.32</u>	<u>627,292.08</u>

Total liabilities and net assets \$ 947,482.70

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

FRANKLIN COUNTY HUMANE SOCIETY
 WINCHESTER, TENNESSEE
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2015

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Net Assets
	<u> </u>	<u> </u>	<u> </u>
Revenues and support:			
Adoption fee income, net of discounts	\$ 38,078.07	\$ 0.00	\$ 38,078.07
Private foundation funding	0.00	14,962.32	14,962.32
Donations	162,204.77	78,141.31	240,346.08
Membership dues	348.00	0.00	348.00
Fundraising	51,193.11	15,782.95	66,976.06
Loss on sale of fixed assets	(57,715.00)	0.00	(57,715.00)
Miscellaneous income	2,948.32	0.00	2,948.32
	<u> </u>	<u> </u>	<u> </u>
Total revenues	197,057.27	108,886.58	305,943.85
	<u> </u>	<u> </u>	<u> </u>
Net assets released from restrictions	141,795.00	(141,795.00)	0.00
	<u> </u>	<u> </u>	<u> </u>
Expenses:			
Shelter program	285,894.56	0.00	285,894.56
Depreciation	35,265.00	0.00	35,265.00
	<u> </u>	<u> </u>	<u> </u>
Total expenses	321,159.56	0.00	321,159.56
	<u> </u>	<u> </u>	<u> </u>
Increase/(decrease) in net assets	17,692.71	(32,908.42)	(15,215.71)
	<u> </u>	<u> </u>	<u> </u>
Beginning Net Assets	578,509.04	63,998.75	642,507.79
	<u> </u>	<u> </u>	<u> </u>
Ending net assets	<u>\$ 596,201.75</u>	<u>\$ 31,090.33</u>	<u>\$ 627,292.08</u>

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

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2015**

	Program	Fundraising	General & Administrative	Total Expenses
Salaries	\$ 115,600.45	\$ 0.00	\$ 897.09	\$ 116,497.54
Fringe benefits	13,550.40	0.00	111.93	13,662.33
 Total salaries and fringe benefits	 129,150.85	 0.00	 1,009.02	 130,159.87
 Vehicle expenses	 1,488.30	 0.00	 0.00	 1,488.30
Utilities	14,913.70	0.00	141.52	15,055.22
Supplies	29,313.95	0.00	0.00	29,313.95
Publications and subscriptions	483.00	0.00	0.00	483.00
Maintenance and repairs	281.71	0.00	0.00	281.71
Insurance	5,708.35	0.00	0.00	5,708.35
Interest expense	14,096.61	0.00	0.00	14,096.61
Legal and professional	0.00	6,700.00	4,375.00	11,075.00
License and memberships	390.99	0.00	0.00	390.99
Advertising	971.97	0.00	0.00	971.97
Minor equipment	159.96	0.00	0.00	159.96
Veterinary services	37,847.67	0.00	0.00	37,847.67
Grant expense	9,910.49	0.00	0.00	9,910.49
Property taxes	901.89	0.00	9.11	911.00
Meals and entertainment	82.67	0.00	0.00	82.67
Travel	0.00	3,522.50	0.00	3,522.50
Fundraising expenses	0.00	24,435.30	0.00	24,435.30
 Expenses before depreciation	 245,702.11	 34,657.80	 5,534.65	 285,894.56
Depreciation	35,232.49	0.00	32.51	35,265.00
Total expenses	<u>\$ 280,934.60</u>	<u>\$ 34,657.80</u>	<u>\$ 5,567.16</u>	<u>\$ 321,159.56</u>

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

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015**

CASH FLOWS FROM OPERATING ACTIVITIES:

Decrease in net assets		\$ (15,215.71)
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization	\$ 35,265.00	
Donated assets included in contributions	(51,103.10)	
Loss on sale of fixed assets	57,715.00	
(Increase) decrease in operating assets:		
Accounts receivable	(25,085.43)	
Prepaid expenses	(353.15)	
Increase (decrease) in operating liabilities:		
Accounts payable	(12,167.89)	
Accrued compensation	(221.06)	
Payroll taxes payable	(344.22)	
Deferred revenue	27,812.00	31,517.15
Net cash provided by operating activities	<u>27,812.00</u>	<u>16,301.44</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets		(57,279.87)
Proceeds from sales of fixed assets		<u>10,200.00</u>
Net cash used by investing activities		(47,079.87)

Net decrease in cash and cash equivalents		(30,778.43)
Cash and cash equivalents at beginning of year		<u>127,039.41</u>
Cash and cash equivalents at end of year (Note 3)		<u><u>\$ 96,260.98</u></u>

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

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTE TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Franklin County Humane Society is a local animal shelter that operates to prevent cruelty to animals, to educate the community, to maintain a foster care and adoption program, and to reduce future generations of unwanted companion animals by developing and maintaining a low cost spay/neuter program.

The financial statements of Franklin County Humane Society have been prepared on an accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Contributions are recognized when the donor makes a promise to give to the Franklin County Humane Society that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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. A description of the net assets categories follows.

Unrestricted net assets include the following:

- A. General & Administrative: General includes the revenues and expenses associated with the principal mission of the Franklin County Humane Society.
- B. Land, Buildings, and Equipment: Land, Buildings, and Equipment assets are stated at market valuation as of October 29, 2001, plus subsequent additions at cost, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets.

Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met, trust activity, and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

The financial statements present expenses by functional classification in accordance with the overall service mission of the Society. Each functional classification displays all expenses related to the underlying operations by natural classification. Interest expense on external debt is allocated to the functional categories, which have benefited from the proceeds of the external debt.

NOTE 2 – ESTIMATES

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

NOTE 3 – CASH

As of December 31, 2015, cash is made up of the following amounts:

Schedule of Cash:	
Unrestricted	\$ 84,858.65
Temporarily restricted	<u>11,402.33</u>
Total Cash	<u>\$ 96,260.98</u>

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTE TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 4 – PHYSICAL PROPERTIES

Property additions are recorded at cost or fair market value if donated. Depreciation is calculated using the straight-line method over the estimated useful life. Expenses for additions, improvements, and replacements are added to the property accounts while expenses for maintenance and repairs are expensed currently.

Interest is capitalized in connection with the construction of major facilities. The construction period interest is recorded as part of the asset to which it is related and is amortized over the asset's estimated useful life. No interest was capitalized for the year ended December 31, 2015.

A summary of plant assets follows:

	<u>January 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>December 31, 2015</u>
Capital assets not being depreciated:				
Land and improvements	\$ 93,107.12	\$ 47,500.00	\$ (32,246.92)	\$ 108,360.20
Total capital assets not being depreciated	<u>93,107.12</u>	<u>47,500.00</u>	<u>(32,246.92)</u>	<u>108,360.20</u>
Other capital assets:				
Buildings	621,757.13	44,751.86	(51,859.38)	614,649.61
Equipment	104,907.16	16,131.11	(13,413.70)	107,624.57
Vehicles	<u>28,000.00</u>	<u>0.00</u>	<u>0.00</u>	<u>28,000.00</u>
Total other capital assets	<u>754,664.29</u>	<u>60,882.97</u>	<u>(65,273.08)</u>	<u>750,274.18</u>
Less accumulated depreciation for:				
Buildings	(27,252.00)	(19,915.00)	27,487.00	(19,680.00)
Equipment	(33,031.00)	(10,650.00)	2,118.00	(41,563.00)
Vehicles	<u>(14,967.00)</u>	<u>(4,700.00)</u>	<u>0.00</u>	<u>(19,667.00)</u>
Total accumulated depreciation	<u>(75,250.00)</u>	<u>(35,265.00)</u>	<u>29,605.00</u>	<u>(80,910.00)</u>
Other capital assets, net	<u>679,414.29</u>	<u>25,617.97</u>	<u>(35,668.08)</u>	<u>669,364.18</u>
Capital assets, net	<u>\$ 772,521.41</u>	<u>\$ 73,117.97</u>	<u>\$ (67,915.00)</u>	<u>\$ 777,724.38</u>

The Society follows the policy of recording contributions of long-lived assets directly in investment in plant assets instead of recognizing their gift over the useful life of the asset. The amounts shown are from market valuation as of October 29, 2001, plus subsequent additions at cost or fair market value if donated.

NOTE 5 – DEFERRED REVENUE

During the current fiscal year, the Franklin County Humane Society received a contribution of a personal residence which contained a life interest. The residence received has been reported at fair value. An obligation for the life interest has been recognized at fair value and is considered to be deferred revenue. In subsequent periods, the use obligation will be amortized over the actuarial life expectancy of the donor.

NOTE 6 – TAX EXEMPT STATUS

The Franklin County Humane Society has been recognized as a non-profit organization exempt from federal income taxes under the Internal Revenue Code Section 501(c)(3).

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTE TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 7 – EXPENDABLE RESTRICTED RESOURCES

Operating and plant funds restricted by the donor, grantor, or other outside party for particular operating purposes or for plant acquisitions are deemed to be earned and reported as revenues of operating funds or as additions to plant funds, respectively, when they are received by the Society.

NOTE 8 – CASH FLOWS

For purposes of the statement of cash flows, Franklin County Humane Society considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

NOTE 9 – CASH DEPOSITS

The Society's cash deposits at year-end in the amount of \$96,260.98 less petty cash of \$250.00 and \$5.00 in a PayPal account, were covered entirely by federal depository insurance.

NOTE 10 – NET ASSETS

Unrestricted net assets available for general operations at December 31, 2015: \$ 615,889.75

Temporarily restricted assets at December 31, 2015, are operating grant money as well as funds for the Society's programs listed below:

Education & Character Building Program	\$ 6,175.01
Life Estate	19,688.00
Low-Income Spay Program	3,765.00
Shelter Equipment	<u>1,462.32</u>
	<u>\$ 31,090.33</u>

NOTE 11 – EMPLOYEE BENEFITS

The Society does not offer insurance or retirement benefits. The shelter manager is allowed accrual of vacation at 0.02 hours per hour worked, with a maximum of 41.6 hours per year. The development officer is allowed accrual of vacation at 0.77 hours per week worked, with a maximum of 40.04 hours per year. Other employees are allowed accrual of vacation at 0.01 hours per hour worked, with a maximum of 20.8 hours per year. Accrued compensated absences at December 31, 2015, were \$1,603.93.

NOTE 12 – DONATED ITEMS/SERVICES

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

**FRANKLIN COUNTY HUMANE SOCIETY
WINCHESTER, TENNESSEE
NOTE TO FINANCIAL STATEMENTS
December 31, 2015**

NOTE 12 – DONATED ITEMS/SERVICES (continued)

Donated services are recognized as contributions in accordance with FASB ASC topic, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. For the year ended December 31, 2015, no amounts for donated services have been reflected in the financial statements, as they do not meet the criteria for recognition.

NOTE 13 – LONG-TERM NOTE PAYABLE

Citizens Community Bank; 4.25% note payable, due in annual installments of \$33,704.13 including interest through 2025. \$ 270,000.00

Below is a summary of notes payable:

Fiscal Year Ending <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 22,234.44	\$ 11,475.00	\$ 33,709.44
2017	23,173.87	10,530.26	33,704.13
2018	24,158.76	9,545.37	33,704.13
2019	25,185.51	8,518.63	33,704.14
2020	26,255.89	7,448.24	33,704.13
2021-2025	<u>148,991.53</u>	<u>18,149.81</u>	<u>167,141.34</u>
	<u>\$ 270,000.00</u>	<u>\$ 65,667.31</u>	<u>\$ 335,667.31</u>

NOTE 14 – PLEDGES

Pledges consist of unconditional promises to give through solicited funds and fundraisers. At December 31, 2015, the Franklin County Humane Society had temporarily restricted unconditional promises to give in the amount of \$71,884.00, unrestricted unconditional promises to give of \$542.30 and \$3,600.00 in an allowance for bad debt, for a total of \$68,826.30. Of this amount, \$62,167.30 is current and the remaining \$6,659.00 is not expected in the next year.

NOTE 15 – ADVERTISING COSTS

Advertising costs are expensed as incurred. Advertising expense totaled \$971.97 in 2015.

NOTE 16 – DATE OF MANAGEMENT'S REVIEW

The Franklin County Humane Society has considered all events subsequent to December 31, 2015 and through May 13, 2016, the issuance date of these financial statements.