

**FIRST COAST NO MORE HOMELESS PETS, INC.**

**Financial Statements**

**Years Ended September 30, 2012 and 2011**

**GREGORY A. KORN, C.P.A.**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
First Coast No More Homeless Pets, Inc.  
Jacksonville, Florida

I have audited the accompanying statements of financial position of First Coast No More Homeless Pets, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted the audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of First Coast No More Homeless Pets, Inc. as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Gregory A. Korn, C.P.A.*

Gregory A. Korn, C.P.A.  
Jacksonville, Florida  
December 27, 2012

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>ASSETS:</b>		
Cash	\$ 243,448	\$ 93,069
Accounts receivable	84,264	115,507
Refundable deposits	1,400	1,400
Property and equipment, net of accumulated depreciation of \$359,373 in 2012 and \$259,380 in 2011	<u>1,457,872</u>	<u>1,403,416</u>
Total Assets	<u><u>\$ 1,786,984</u></u>	<u><u>\$ 1,613,392</u></u>
 <b>LIABILITIES:</b>		
Accounts payable	\$ 383,110	\$ 258,813
Accrued expenses	838	416
Deferred revenue	195,040	35,470
Notes payable	<u>837,496</u>	<u>865,254</u>
Total Liabilities	<u>1,416,484</u>	<u>1,159,953</u>
 <b>NET ASSETS:</b>		
Unrestricted net assets	<u>370,500</u>	<u>453,439</u>
Total Net Assets	<u>370,500</u>	<u>453,439</u>
Total Liabilities and Net Assets	<u><u>\$ 1,786,984</u></u>	<u><u>\$ 1,613,392</u></u>

Read notes to financial statements.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**STATEMENTS OF ACTIVITIES**  
**Years Ended September 30, 2012 and 2011**

	2012	2011
<b>CHANGES IN UNRESTRICTED NET ASSETS:</b>		
Unrestricted Support and Revenue:		
Program service fees	\$ 2,509,076	\$ 1,920,638
Contributions (includes in-kind of \$242,990 in 2011 and \$206,390 in 2012)	566,948	805,737
Grants	779,442	149,113
Special events, net of direct costs of \$25,215 in 2012 and \$35,567 in 2011	151,889	55,593
Thrift store sales	48,897	-
Other	7,426	7,071
Total Unrestricted Support and Revenue	<u>4,063,678</u>	<u>2,938,152</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>
Total Unrestricted Support and Revenue and Reclassifications	<u>4,063,678</u>	<u>2,938,152</u>
Expenses:		
Program services	3,693,662	2,452,242
Management and general	242,321	284,765
Fundraising	210,634	189,754
Total Expenses	<u>4,146,617</u>	<u>2,926,761</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(82,939)	11,391
<b>NET ASSETS AT BEGINNING OF YEAR</b>	453,439	442,048
<b>NET ASSETS AT END OF YEAR</b>	<u><u>\$ 370,500</u></u>	<u><u>\$ 453,439</u></u>

Read note to financial statements.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2012**

	Program Services	Management and General	Fundraising	Total
Wages	\$ 1,455,313	\$ 111,060	\$ 99,590	\$ 1,665,963
Payroll taxes	132,958	10,147	9,099	152,204
	<u>1,588,271</u>	<u>121,207</u>	<u>108,689</u>	<u>1,818,167</u>
Advertising (includes \$188,420 in-kind)	380,017	-	8,087	388,104
Animal medical expenses	79,689	-	-	79,689
Automotive expenses	31,004	-	-	31,004
Bad debt expense	40,845	-	-	40,845
Bank service charges	-	31,916	-	31,916
Computer expense	13,748	3,955	1,130	18,833
Depreciation	88,574	7,210	7,210	102,994
Direct mail	-	-	55,823	55,823
Dues and subscriptions	1,516	1,516	-	3,032
Insurance	33,346	2,714	2,714	38,774
Interest expense	47,604	5,600	2,800	56,004
Licenses & permits	1,666	-	-	1,666
Micellaneous expenses	-	4,688	2,542	7,230
Office supplies	8,289	675	675	9,639
Postage & delivery	7,228	586	1,954	9,768
Printing & reproduction	14,637	1,126	6,756	22,519
Professional fees (includes \$17,180 in-kind)	260,563	42,489	1,866	304,918
Program supplies (includes \$37,390 in-kind)	965,923	-	-	965,923
Rent	39,985	-	3,975	43,960
Repairs and maintenance	12,078	12,079	-	24,157
Telephone	10,998	611	611	12,220
Training	1,341	-	-	1,341
Trapping expenses	2,915	-	-	2,915
Trash removal	6,075	494	494	7,063
Travel	2,991	1,030	883	4,904
Utilities	54,359	4,425	4,425	63,209
	<u>54,359</u>	<u>4,425</u>	<u>4,425</u>	<u>63,209</u>
<b>Total Expenses</b>	<u><u>\$ 3,693,662</u></u>	<u><u>\$ 242,321</u></u>	<u><u>\$ 210,634</u></u>	<u><u>\$ 4,146,617</u></u>

Read notes to financial statements.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended September 30, 2011**

	Program Services	Management and General	Fundraising	Total
Wages (includes \$7,500 in-kind)	\$ 975,746	\$ 108,058	\$ 72,296	\$ 1,156,100
Payroll taxes	84,627	8,384	5,622	98,633
	<u>1,060,373</u>	<u>116,442</u>	<u>77,918</u>	<u>1,254,733</u>
Advertising (includes \$84,500 in-kind)	117,833	-	29,458	147,291
Animal medical expenses	148,462	-	-	148,462
Automotive expense	16,860	-	-	16,860
Bad debt expense	5,238	-	-	5,238
Bank service charges	-	15,862	-	15,862
Computer expense	9,529	2,741	783	13,053
Depreciation	78,938	6,425	6,425	91,788
Direct mail	-	-	47,799	47,799
Dues & subscriptions	2,118	2,118	-	4,236
Insurance	23,120	1,882	1,882	26,884
Interest expense	66,595	5,420	5,420	77,435
Licenses & permits	1,291	-	-	1,291
Micellaneous expenses	-	1,655	-	1,655
Office supplies	-	6,351	2,722	9,073
Postage & delivery	4,360	354	1,178	5,892
Printing & reproduction (includes \$12,500 in-kind)	22,376	1,721	10,328	34,425
Professional fees (includes \$5,115 in-kind)	-	108,845	-	108,845
Program supplies (includes \$96,775 in-kind)	804,695	-	-	804,695
Rent	14,457	-	-	14,457
Repairs and maintenance	8,762	8,762	-	17,524
Telephone	10,038	558	558	11,154
Training	1,436	-	-	1,436
Trapping expenses	9,334	-	-	9,334
Trash removal	3,420	278	278	3,976
Travel	7,042	2,424	2,078	11,544
Utilities	35,965	2,927	2,927	41,819
	<u>\$ 2,452,242</u>	<u>\$ 284,765</u>	<u>\$ 189,754</u>	<u>\$ 2,926,761</u>
<b>Total Expenses</b>	<b>\$ 2,452,242</b>	<b>\$ 284,765</b>	<b>\$ 189,754</b>	<b>\$ 2,926,761</b>

Read notes to financial statements.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization Organization)**  
**STATEMENTS OF CASH FLOWS**  
**Years Ended September 30, 2012 and 2011**

	<b>2012</b>	<b>2011</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (Decrease) in net assets	\$ (82,939)	\$ 11,391
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	102,993	91,788
Bad debt expense	40,845	5,238
Changes in operating assets and liabilities:		
Accounts receivable	(9,602)	(76,053)
Prepaid expenses	-	3,456
Accounts payable	124,297	35,172
Accrued expenses	422	(1,654)
Deferred revenue	159,570	35,470
	<u>335,586</u>	<u>104,808</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Property and equipment purchases	(157,449)	(40,032)
	<u>(157,449)</u>	<u>(40,032)</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repayment of debt	(27,758)	(18,725)
	<u>(27,758)</u>	<u>(18,725)</u>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>NET INCREASE IN CASH</b>	150,379	46,051
<b>CASH AT BEGINNING OF YEAR</b>	<u>93,069</u>	<u>47,018</u>
<b>CASH AT END OF YEAR</b>	<u><u>\$ 243,448</u></u>	<u><u>\$ 93,069</u></u>

Read notes to financial statements.



**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**

**A. NATURE OF BUSINESS**

First Coast No More Homeless Pets, Inc. (the Agency) was organized in Jacksonville, Florida in 2002 as a nonprofit corporation to eliminate the killing of dogs and cats in northeast Florida through targeted spaying and neutering programs. Revenues are derived principally from program service fees, contributions and grants.

**B. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification 958. Under those provisions, the Agency is required to report information regarding its financial position and activities according to three classes of net assets, when applicable, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the absence or existence and nature of donor-imposed restrictions.

***Basis of Accounting***

The financial statements of First Coast No More Homeless Pets, Inc. have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The accrual basis of accounting recognizes revenues in the accounting period in which revenues are earned regardless of when cash is received, and recognizes expenses in the accounting period in which expenses are incurred regardless of when cash is disbursed. Accordingly, the statements reflect all significant receivables, payables, and other liabilities.

***Use of Estimates***

Preparation of First Coast No More Homeless Pets, Inc.'s financial statements in conformity with generally accepted accounting principles requires the use of management's estimates. These estimates are primarily related to the collectibility of accounts receivable, useful lives of depreciable equipment, functional expense allocation, and fair values of donations. Actual results could differ from those estimates.

***Income Taxes***

The Agency is a nonprofit corporation exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for income taxes in the financial statements. The Agency is not a private foundation.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**

***Fair Value of Financial Instruments***

A financial instrument is defined as cash equivalents, evidence of an ownership interest in an entity, or a contract that creates an obligation or right to deliver or receive cash or other financial instrument from another party. The Agency's financial instruments consist primarily of accounts receivable, refundable deposits, accounts payable, accrued expenses, deferred revenue, and notes payable. The carrying amounts of these instruments approximate the fair values because of the short-term nature of those instruments.

***Cash***

Cash consists of checking and money market accounts with commercial banks and a change fund kept on the Agency's premises.

***Accounts Receivable***

Accounts receivable represents amounts due to the Agency for services performed. The Agency expects receivables to be substantially collectible. Accordingly, there is no provision for doubtful accounts in the financial statements. It is the policy of the Agency to write-off receivables when reasonable collection efforts have failed to result in the collection of past-due accounts.

***Property and Equipment***

Equipment is recorded at cost for purchased items and estimated fair market value at date of gift for donated items. Depreciation expense is computed by the straight-line method over the assets estimated useful lives. Generally, the Agency expenses purchases less than \$300.

***Advertising Costs***

A substantial portion of advertising expenses are donated free of charge, including broadcast media advertisements of program services and special events. Costs are estimated based on fees charged for like-kind advertisements. Recognition in the statement of activities occurs when the costs are incurred.

***Compensated Absences***

It is impractical to estimate the amount of compensation for future absences. Accordingly, no liability has been recognized in the accompanying financial statements. The Agency's policy is to recognize the costs of compensated absences when actually paid. If accrued, the amounts would not be material to the financial statements.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

***Restricted and Unrestricted Support and Revenue***

Support and revenue is classified as unrestricted, temporarily restricted, or permanently restricted, depending upon the existence and/or nature of any restrictions placed by the donors. However, the Agency reports restricted support and revenue whose restrictions are satisfied during the same period as unrestricted support and revenue. When restrictions are satisfied in a subsequent period, the amount satisfied is reclassified from temporarily restricted net assets to unrestricted net assets and are reported as net assets released from restrictions in the statement of activities.

***Donations***

Donated assets and other in-kind gifts, including professional services, are recorded as contributions at their estimated fair market value at the date of gift.

***Volunteer Services***

The Agency receives significant donated services from unpaid volunteers assisting in program, management, and fundraising activities. No amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958-10-20 have not been satisfied. Management estimates that approximately 6,000 and 5,800 hours of volunteer service were rendered to the Agency during the years ended September 30, 2012 and 2011, respectively.

***Allocation of Functional Expenses***

Allocation of functional expenses between program services, management and general, and fundraising categories is based on an analysis of direct costs, personnel time and space used.

**C. LONG-LIVED ASSETS**

Financial Accounting Standards Board Accounting Standards Codification 360 requires long-lived assets to be reviewed for impairment when events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. The standard also requires recognition of impairment losses for long-lived assets "held and used" if the sum of the estimated future undiscounted cash flows used to test for recoverability is less than the carrying value. For the years ended September 30, 2012 and 2011, First Coast No More Homeless Pets, Inc.'s management concluded that there had been no significant events triggering an impairment review of its long-lived assets. Hence, no impairment was recorded during those years.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**

**D. PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at September 30:

	<u>2012</u>	<u>2011</u>
Land	\$ 68,750	\$ 68,750
Building	1,172,203	1,172,203
Leasehold improvements	1,277	-
Computers and software	84,193	59,937
Machinery and equipment	321,210	241,215
Furniture & fixtures	32,759	27,316
Security system	12,261	10,636
Signage	15,855	15,855
Vehicles	108,737	66,884
	<u>1,817,245</u>	<u>1,662,796</u>
Accumulated depreciation	<u>(359,373)</u>	<u>(259,380)</u>
	<u>\$ 1,457,872</u>	<u>\$ 1,403,416</u>

The land and building are subject to first and second mortgages. (See Note H.)

Depreciation expense for the years ended September 30, 2012 and 2011 was \$102,993 and \$91,788, respectively.

**E. OPERATING LEASES**

The Agency has an operating lease commitment related to the use of a building housing the Mandarin Adoption Center, managed by First Coast No More Homeless Pets. The agreement calls for monthly rental payments of \$2,083. The fifteen-month term ends December 31, 2012. (See footnote K. Subsequent Events.)

The Agency uses other operating leases for rental of equipment, buildings and parking space. These leases are month-to-month, with no minimum lease commitments extending beyond the current month.

Rental expense under the leases described above during the years ended September 30, 2012 and 2011 was \$43,960 and \$14,457, respectively.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**

At September 30, 2012, the Agency was under commitment to pay the remainder of the term of the Mandarin Adoption Center building lease (three months at \$2,033 for a total of \$6,100).

**F. CASH FLOW DISCLOSURES**

During the years ended September 30, 2012 and 2011, cash expended for interest was \$56,004 and \$77,435, respectively.

No cash was expended for income taxes during the years ended September 30, 2012 or 2011.

**G. NOTES PAYABLE**

The Agency has a note payable to a board member, secured by furniture and equipment, which stipulates a 4% interest rate during the first 24 months of the loan's term, with no principal payments due until the 25<sup>th</sup> month (April 12, 2011) at which time the rate converts to 6% and interest and principal payments are due computed using a 15-year amortization schedule. Such amortization requires monthly payments of \$2,532 (including interest). On March 8, 2015, a balloon payment of the balance (estimated at \$244,194) will be due. The balance on this note at September 30, 2012 is \$280,621.

The Agency has a 6.75% note payable to a commercial bank with principal payments beginning October 26, 2009. Principal and interest is computed using a 20-year amortization schedule. Such amortization requires monthly payments of \$2,691 (including interest). On September 26, 2013, a balloon payment of the balance (estimated at \$358,132) will be due. The note is secured by a mortgage on the Agency's real estate. The balance on this note at September 30, 2012 is \$366,558.

The Agency has a 3% note payable to the City of Jacksonville, Florida. Monthly payments of \$1,005 (including interest) are computed using a 25-year amortization schedule. On June 1, 2019, a balloon payment of the balance (estimated at \$144,748) will be due. The note is secured by a second mortgage on the Agency's real estate. The balance on this note at September 30, 2012 is \$190,317.

Interest expense on these loans for the years ended September 30, 2012 and 2011 was \$46,965 and \$46,759, respectively.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**

Expected maturity of debt is as follows for years ended September 30:

2013	385,350
2014	21,363
2015	258,706
2016	6,990
2017	7,203
thereafter	<u>157,884</u>
	<u>\$ 837,496</u>

**H. RELATED-PARTY TRANSACTIONS**

The Agency has a \$280,621 balance on a note payable (described in Note H) owed to a member of the board of directors.

**I. RECLASSIFICATIONS**

Certain prior-year amounts have been reclassified in order to conform to the current-year presentation. Such reclassifications have no effect on the change in net assets of either year.

**J. SUBSEQUENT EVENTS**

Subsequent events requiring recognition in the financial statements or unrecognized subsequent events requiring disclosure in the footnotes were evaluated by management on December 27, 2012, the date the financial statements were available for issue.

No events requiring recognition in the financial statements were identified as a result of management's evaluation.

**Mandarin Adoption Center Closure:**

The board of directors decided to close the Mandarin Adoption Center, declining options to renew the lease on the property, effective January 1, 2013. It is the board's opinion that the cost of the pet adoption program conducted at the Center was too high for the number of adoptions taking place. The board recognizes other community efforts in support of pet adoptions and determined the Agency's assets would be put to better use supporting its other ongoing programs.

**FIRST COAST NO MORE HOMELESS PETS, INC.**  
**(A Nonprofit Organization)**  
**NOTES TO FINANCIAL STATEMENTS**

**Target Zero Institute Grant:**

First Coast No More Homeless Pets has received a commitment from The Target Zero Institute for \$1,500,000 in funding for a permanent training and technical assistance program for animal welfare organizations to be implemented nationwide during the 2012-2013 fiscal year.