

ST. TAMMANY HUMANE SOCIETY

FINANCIAL STATEMENTS

For the Years Ended December 31, 2017 and 2016



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**ST. TAMMANY HUMANE SOCIETY
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DECEMBER 31, 2017**

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Report



Carr, Riggs & Ingram, LLC
111 Veterans Blvd.
Suite 350
Metairie, Louisiana 70005

(504) 837-9116
(504) 837-0123 (fax)
www.CRIcpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Tammany Humane Society
Covington, Louisiana

We have audited the accompanying financial statements of St. Tammany Humane Society (a nonprofit organization) (the "Society"), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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 audits 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 auditor considers internal control relevant to the Society'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 Society'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 St. Tammany Humane Society as of December 31, 2017 and 2016, and the changes 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Compensation, Benefits, and Other Payments to Agency Head on page 15 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Cam, Riggs & Ingram, L.L.C.

July 31, 2018



Financial Statements

**ST. TAMMANY HUMANE SOCIETY
STATEMENTS OF FINANCIAL POSITION**

<i>As of December 31,</i>	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 576,215	\$ 568,890
Accounts receivable	21,237	11,492
Inventory	100,266	71,435
Total Current Assets	697,718	651,817
PROPERTY AND EQUIPMENT, net	635,251	411,751
TOTAL ASSETS	\$ 1,332,969	\$ 1,063,568
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 181,519	\$ 187,187
Capital leases, current portion	11,317	-
Note payable, current portion	8,175	-
Total Current Liabilities	201,011	187,187
LONG-TERM LIABILITIES		
Capital leases, net of current portion	37,843	-
Note payable, net of current portion	40,818	-
Total Long-Term Liabilities	78,661	-
Total Liabilities	279,672	187,187
NET ASSETS		
Unrestricted	1,045,528	848,481
Temporarily restricted	7,769	27,900
Total Net Assets	1,053,297	876,381
TOTAL LIABILITIES AND NET ASSETS	\$ 1,332,969	\$ 1,063,568

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

ST. TAMMANY HUMANE SOCIETY
STATEMENTS OF ACTIVITIES

<i>For the Years Ended December 31,</i>	2017	2016
UNRESTRICTED REVENUE AND OTHER SUPPORT		
Contributed Support		
Grants	\$ 5,000	\$ 7,611
Donations	295,655	414,689
Fundraising	397,638	369,918
Net assets released from restriction	36,900	8,024
Total Contributed Support	735,193	800,242
Earned Revenue		
Kennel	102,080	103,715
Medical	1,431,711	1,230,114
Retail, net of cost of goods sold of \$514,533 and \$405,797, respectively	268,219	277,232
Total Earned Revenue	1,802,010	1,611,061
Total Unrestricted Revenue and Other Support	2,537,203	2,411,303
EXPENSES		
Program services	1,884,840	2,019,985
General and administrative	218,344	212,744
Fundraising	276,368	202,450
Total Expenses	2,379,552	2,435,179
OTHER INCOME (EXPENSE)		
Other income	41,658	44,443
Interest expense	(1,477)	-
Loss on disposal	(785)	-
Net Other Income	39,396	44,443
CHANGE IN UNRESTRICTED NET ASSETS	197,047	20,567
TEMPORARILY RESTRICTED REVENUE		
Grants and donations revenue	16,769	27,900
Net assets released from restriction	(36,900)	(8,024)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(20,131)	19,876
CHANGE IN NET ASSETS	176,916	40,443
NET ASSETS – Beginning of year	876,381	835,938
NET ASSETS – End of year	\$ 1,053,297	\$ 876,381

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

ST. TAMMANY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2017

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Contributed support	\$ -	\$ -	\$ 107,777	\$ 107,777
Contract services	-	7,221	-	7,221
Depreciation	40,964	1,152	-	42,116
Feed and supplies	52,494	-	-	52,494
Insurance	34,561	9,536	2,850	46,947
Kennel	421,757	-	-	421,757
Licenses and fees	4,413	222	95	4,730
Clinic expenses	218,014	-	-	218,014
Occupancy	44,718	2,354	-	47,072
Office	53,844	8,556	460	62,860
Repairs and maintenance	18,973	4,743	-	23,716
Salaries and payroll taxes	946,074	178,334	165,186	1,289,594
Telephone and utilities	28,572	6,226	-	34,798
Miscellaneous	20,456	-	-	20,456
Total Expenses	\$ 1,884,840	\$ 218,344	\$ 276,368	\$ 2,379,552

The accompanying notes are an integral part of this financial statement.

ST. TAMMANY HUMANE SOCIETY
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31,

2016

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Contributed support	\$ -	\$ -	\$ 125,279	\$ 125,279
Contract services	-	25,469	-	25,469
Depreciation	22,022	1,159	-	23,181
Feed and supplies	36,790	-	-	36,790
Insurance	34,908	9,558	945	45,411
Kennel	376,901	-	-	376,901
Licenses and fees	4,655	304	-	4,959
Clinic expenses	281,920	-	-	281,920
Occupancy	47,346	2,492	-	49,838
Office	12,471	37,411	12,471	62,353
Repairs and maintenance	28,970	7,243	-	36,213
Salaries and payroll taxes	1,083,833	127,510	63,755	1,275,098
Telephone and utilities	30,364	1,598	-	31,962
Miscellaneous	59,805	-	-	59,805
Total Expenses	\$ 2,019,985	\$ 212,744	\$ 202,450	\$ 2,435,179

The accompanying notes are an integral part of this financial statement.

ST. TAMMANY HUMANE SOCIETY
STATEMENTS OF CASH FLOWS

<i>For the Years Ended December 31,</i>	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 176,916	\$ 40,443
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	42,116	23,181
Loss on disposal of property and equipment	785	-
Unrealized gain, net	(16,398)	(15,429)
Realized gain, net	(22,023)	(19,771)
Changes in operating assets and liabilities:		
Accounts receivable	(9,745)	(2,542)
Inventory	(28,831)	62,080
Accounts payable and accrued liabilities	(5,668)	10,521
Net cash provided by operating activities	137,152	98,483
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(198,763)	(7,400)
Proceeds from sale of cash and cash equivalents	38,421	419,811
Net cash (used in) provided by investing activities	(160,342)	412,411
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital leases	(18,478)	-
Proceeds from note payable	50,759	-
Payments on note payable	(1,766)	-
Net cash provided by financing activities	30,515	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,325	510,894
CASH AND CASH EQUIVALENTS – Beginning of year	568,890	57,996
CASH AND CASH EQUIVALENTS – End of year	\$ 576,215	\$ 568,890
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 1,477	\$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Donation of land	\$ 110,000	\$ -
Capital lease obligation incurred for use of property and equipment	\$ 67,638	\$ -

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

ST. TAMMANY HUMANE SOCIETY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

St. Tammany Humane Society (the "Society") is one of Louisiana's largest not-for-profit animal welfare organizations. Since 1953, the Society has been serving the unwanted, neglected, abandoned, and abused animals of St. Tammany, Washington, Tangipahoa, and St. Helena Parishes. The Society operates an animal shelter, veterinary clinic, and gift shop, and also provides fostering and adoption services. The Society is also an organization, as described in Section 170(b)(1)(A)(vi) of the Internal Revenue Code, that normally receives a substantial part of its support from direct or indirect contributions from the general public. As of February 2018, the St. Tammany Humane Society assumed the name Northshore Humane Society.

Basis of Accounting

The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

The Society is required to report information regarding its financial position and activities according to three classes of net assets- unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets depending on the existence and/or nature of any donor restrictions.

Revenues and gains (losses) are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

Unrestricted net assets

Assets that are not restricted by donors or for which there are no restrictions. Unrestricted undesignated net assets were \$1,045,528 and \$848,481 as of December 31, 2017 and 2016, respectively.

Temporarily restricted net assets

Net assets that arise from contributions by donors restricted for a specific purpose(s) or time period. Temporarily restricted net assets were \$7,769 and \$27,900 as of December 31, 2017 and 2016, respectively.

Permanently restricted net assets

A donation, grant or contract that is restricted by the donor or by law to be maintained by the Society in perpetuity. As of December 31, 2017 and 2016, there were no permanently restricted net assets.

ST. TAMMANY HUMANE SOCIETY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

All acquisitions of property and equipment in excess of \$2,500 whose useful lives extend beyond a one year period and betterments which naturally add to the value of related assets or materially extend the useful lives of assets are capitalized. Repairs and maintenance that do not extend the asset's useful life are expensed as incurred. Property and equipment are carried at cost, or, if donated, at the approximate fair value at the date of donation. Assets acquired through lease agreements meeting requirements under generally accepted accounting principles that require capitalization are recorded at their fair market values as of the date of the lease inception. The Society records depreciation on its property and equipment using the straight-line method with useful lives of seven (7) to forty (40) years for buildings and improvements, five (5) to fifteen (15) years for furniture and fixtures, five (5) to twenty (20) years for equipment, ten (10) years for vehicles, and five (5) to six (6) years for leased equipment.

The Society periodically evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined by independent market appraisals or by using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner except that fair market values are reduced for the cost to dispose. There were no impairments of long-lived assets recognized for the years ended December 31, 2017 and 2016.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Fundraising and other revenue are recognized as earned. Restricted revenue whose restriction is met within the period the revenue was received is recorded as unrestricted revenue.

ST. TAMMANY HUMANE SOCIETY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Assets and Services

The Society records non-cash donations as contributions at their estimated fair values at the date of donation. The Society recognizes donated services, if significant in amount, which create or enhance nonfinancial assets or that require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Management believes the value of contributed services meeting the requirement for recognition in the financial statements was not material and, thus, has not been recorded. For the years ended December 31, 2017 and 2016, there were \$0 and \$17,592, respectively.

Income Taxes

The Society is a non-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation. Management believes there are no uncertain tax positions included in the financial statements.

Inventory

Inventory is valued at the lower of cost using FIFO (first-in, first-out) or market and consists of medical and retail supplies which are recorded as expenditures when consumed.

Functional Expenses

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Society considers all money market funds and unrestricted, highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

Direct Mail Campaigns

The Society achieves some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. The costs of conducting those campaigns for the years ended December 31, 2017 and 2016 was \$32,617 and \$42,110, respectively, and is included in contributed support in the statements of functional expenses.

ST. TAMMANY HUMANE SOCIETY NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

As of January 1, 2016, the Society changed its method of accounting for clinic inventory. Due to the quick use of previously capitalized and tracked clinic inventory (i.e. supplies used on a daily basis with low dollar value – gloves, masks, test kits, etc), management has determined it is more appropriate to expense these items as purchased. The effect of the change was a decrease in clinic inventory and an increase in clinic expenses as of and for the year ended December 31, 2016. No changes to retail inventory or treatment inventory have been made.

Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

Recent Financial Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. Under this ASU, net assets will be presented in two classes: net assets with donor restrictions and net assets without donor restrictions. Disclosures regarding liquidity and availability of resources for general operating expenditures within one year of the date of the statement of financial position must also be presented. The ASU requires expenses to be presented by both nature and function, and investment return will be presented net of investment expenses. The ASU is effective for the year ended December 31, 2018, but early adoption is permitted. Adoption of this ASU will impact the presentation and disclosures of the Society's financial statements. The Society has not elected to early adopt this standard.

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842). Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories: 1) Financing leases, similar to capital leases, will require the recognition of an asset and liability, measured at the present value of the lease payments. Interest on the liability will be recognized separately from amortization of the asset and principal repayments will be classified as financing outflows and payments of interest as operating outflows on the statement of cash flows; 2) Operating leases will also require the recognition of an asset and liability measured at the present value of the lease payments. A single lease cost, consisting of interest on the obligation and amortization of the asset, calculated such that the amortization of the asset will increase as the interest amount decreases resulting in a straight-line recognition of lease expense. All cash outflows will be classified as operating on the statement of cash flows. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For sale leaseback transactions, the sale will only be recognized if the criteria in the new revenue recognition standard are met. If there is

**ST. TAMMANY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Financial Accounting Pronouncements (Continued)

no sale, the buyer-lessor does not recognize the transaction as a purchase and consideration paid for the asset is treated as a financing transaction. The ASU is effective for the year ended December 31, 2020, but early adoption is permitted. The Society has not elected to early adopt this standard.

NOTE 2 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31:

	2017	2016
Land	\$ 254,470	\$ 144,470
Buildings and improvements	396,084	375,684
Furniture, fixtures and equipment	208,786	184,043
Vehicles	83,700	53,174
Leased equipment	67,638	-
Accumulated depreciation	(375,427)	(345,620)
	\$ 635,251	\$ 411,751

Depreciation expense for the year ended December 31, 2017 and 2016 was \$42,116 and \$23,181, respectively.

On June 1, 2018, two additional acres of land were donated to the Society valued at \$110,000.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK AND CONTINGENCIES

Deposits held in financial institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. As of December 31, 2017 and 2016, the Society's cash balance did not exceed the FDIC insurance. The Society has not experienced any losses in such accounts and management does not believe it is exposed to any significant credit risk.

The Society maintains a brokerage account with a national brokerage firm. Account holders are insured by the Securities Investor Protection Program (SIPC) up to \$500,000, of which \$250,000 may be cash. As of December 31, 2017 and 2016, the Society's balance with the brokerage firm did not exceed the SIPC insurance. The brokerage firm allocates investments such that all investments are covered by SIPC limits thus management believes the investment policy is being followed as stated in the bylaws.

**ST. TAMMANY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - LINE OF CREDIT

On March 7, 2016, the Society entered into a line of credit with a financial institution bearing a variable interest rate, per annum, based on the Lender's Prime Rate. The Lender's Prime Rate on December 31, 2017 and 2016 was 6.500%. The terms of the agreement allow the Society to draw on the line with a maximum available credit of \$50,000. The line of credit expired March 7, 2018 and was not renewed. As of December 31, 2017 and 2016, there was no amount outstanding on the line of credit.

NOTE 5 – NOTES PAYABLE

Note payable consisted of the following:

	2017
Note payable to a bank dated September 9, 2017, collateralized by an automobile, payable in monthly installments of \$681, including principle and interest at 1.99% beginning October 10, 2017.	\$ 48,993
Current portion of notes payable	(8,175)
Notes payable, long-term portion	\$ 40,818

The following is a schedule of future payments required:

2018	\$	8,175
2019		8,175
2020		8,175
2021		8,175
2022		8,175
Thereafter		8,118
	\$	48,993

NOTE 6 – CAPITAL LEASES

Capital lease obligations consisted of the following at December 31:

	2017
Capital lease with monthly payments of \$44 due December 2021. Collateralized by a printer.	\$ 2,011
Capital lease with monthly payments of \$43 due October 2021. Collateralized by a printer.	1,886
Capital lease with monthly payments of \$605 due December 2021. Collateralized by lab equipment.	27,662
Capital lease with monthly payments of \$332 due August 2022. Collateralized by lab equipment.	17,601
Less: current portion	(11,317)
Capital leases, net of current portion	\$ 37,843

**ST. TAMMANY HUMANE SOCIETY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 – CAPITAL LEASES (CONTINUED)

Future minimum payments required under the leases are as follows:

2018	\$	12,296
2019		12,296
2020		12,296
2021		12,209
2022		2,659
Total minimum lease payments		51,756
Less: interest		(2,596)
Present value of minimum lease payments		\$ 49,160

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated the subsequent events through the date that the financial statements were available to be issued, July 31, 2018, and determined that no events occurred that require disclosure, except as noted in Notes 1, 2, and 4. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.



Supplementary Information

**ST. TAMMANY HUMANE SOCIETY
SCHEDULE OF COMPENSATION, BENEFITS, AND
OTHER PAYMENTS TO AGENCY HEAD**

For the Year Ended December 31,

2017

Agency Head Name: Scott Bernier, Chief Executive Officer

<i>Purpose</i>	<i>Amount</i>
Salary	\$ 0
Benefits-health insurance	0
Benefits-retirement	0
Deferred compensation	0
Workers comp	0
Benefits-life insurance	0
Benefits-long term disability	0
Benefits-Fica & Medicare	0
Car allowance	0
Vehicle provided by government	0
Cell phone	0
Dues	0
Vehicle rental	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	0
Conference travel	0
Unvouchered expenses	0
Meetings & conventions	0
Other	0
Total	\$ 0

There were no payments for the benefit of the Chief Executive Officer that were derived from the public funds (state and/or local governmental funds and/or federal funds passed through a state or local government agency) that the Society receives.

See independent auditors' report.

**ST. TAMMANY HUMANE SOCIETY
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2017**

We have audited the basic financial statements of St. Tammany Humane Society as of and for the year ended December 31, 2017. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our audit of the financial statements as of December 31, 2017 resulted in an unmodified opinion.

SECTION I – SUMMARY OF AUDITORS’ REPORT

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control:

Material Weaknesses Yes No

Significant Deficiencies Yes No

b. Compliance:

Compliance Material to Financial Statements Yes No

c. Federal Awards

There were no federal awards noted.

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001 – Significant Deficiency – Recording of Capital Leases

Criteria

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 840-30-25-1 states that “the lessee shall recognize a capital lease as an asset and an obligation.”

Condition

The Society entered into 4 new leases during the year ended December 31, 2017 that were being expensed as operating leases instead of capitalized as required by FASB ASC 840-30-25-1.

Cause

Management did not assess the terms of the leases to appropriately identify them as capital leases prior to recording entries.

Effect

Capital lease assets and lease liabilities were understated by \$49,160. Depreciation expense and accumulated depreciation were understated by \$19,606. Operating expenses were overstated by \$19,677.

ST. TAMMANY HUMANE SOCIETY
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2017

Auditors' Recommendation

Management should perform an assessment of all leases at the time of execution of the lease agreement to determine the appropriate classification between operating and capital leases in order to record each type appropriately.

Management's Response and Corrective Action

See page 19.

SECTION III – COMPLIANCE FINDINGS

2017-002 - Timely submission of report (originated in 2016)

Criteria

Louisiana Revised Statute R.S. 24:513 requires Society to file a report within six months of year-end.

Condition

The December 31, 2017 audited financial statements were not filed within six months of the close of the fiscal year.

Cause

During the course of the audit, there were unforeseen medical emergencies that caused the Society to be unable to provide information timely in order to file by the required deadline.

Effect

The Society is not in compliance with Louisiana R.S. 24:513. However, the Society received an extension from the Louisiana Legislative Auditor approving a late submission through July 31, 2018.

Auditors' Recommendation

As the late filing was due to unforeseen circumstances, no specific recommendation is considered necessary.

Management's Response and Corrective Action

See page 19.

**ST. TAMMANY HUMANE SOCIETY
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
DECEMBER 31, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – COMPLIANCE FINDINGS

2016-01 - Timely submission of report

Criteria

The December 31, 2016 audited financial statements were not filed within six months of the close of the fiscal year. Therefore, the Society is not in compliance with LSA R.S. 24:513.

Auditor's Recommendation

In order for the audited financial statements to be remitted within six months of the fiscal year end, we suggest all entries made subsequent to providing the auditor the trial balance be provided to the auditor immediately once posted to the Society's records along with supporting information for each entry.

Status and Planned Corrective Action: Unresolved. See 2017-002.

**ST. TAMMANY HUMANE SOCIETY
MANAGEMENT'S CORRECTIVE ACTION PLAN
DECEMBER 31, 2017**

SECTION II – FINANCIAL STATEMENT FINDINGS

2017-001 – Significant Deficiency – Capital Leases

Planned Corrective Action

Management will perform an assessment of all leases at the time of execution for appropriate classification as an operating or capital lease and will record amounts appropriately.

Anticipated Completion Date

December 31, 2018

Responsible Party

Scott Bernier, CEO, and Mark Steinway, Controller

SECTION III – COMPLIANCE FINDINGS

2017-002 – Timely submission of report

Planned Corrective Action

As the late filing was due to unforeseen circumstances, no specific planned corrective action is considered necessary.

Anticipated Completion Date

December 31, 2018

Responsible Party

Scott Bernier, CEO, and Mark Steinway, Controller