

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Humane Society of Sarasota County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2021 financial statements referred to above present fairly, in all material respects, the financial position of the Humane Society of Sarasota County, Inc. (the "Organization") as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The financial statements of the Organization as of December 31, 2020 were audited by other auditors whose report dated November 12, 2021 expressed an unmodified opinion on those statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Christopher, Smith,
Leonard & Stanell, P.A.*

CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.

Sarasota, Florida
August 24, 2022

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,702,447	\$ 1,214,323
Employee Retention Credit receivable	230,959	-
Contribution receivable	70,314	-
Investments	10,530,132	10,266,962
Inventory	58,872	40,805
Prepaid expenses and other assets	8,323	7,000
Contributions receivable from charitable trusts	1,475,620	1,304,565
Beneficial interest in assets held by others	1,295,807	1,168,120
Property and equipment, net	8,902,210	7,729,317
TOTAL ASSETS	\$ 24,274,684	\$ 21,731,092
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 2,515,000	\$ 2,050,302
Accounts payable	79,976	540,359
Accrued payroll and benefits	43,757	34,964
Unearned revenue	17,125	223
Notes payable	-	532,400
Total liabilities	2,655,858	3,158,248
Net Assets		
Without donor restrictions	20,118,914	17,244,897
With donor restrictions	1,499,912	1,327,947
Total net assets	21,618,826	18,572,844
TOTAL LIABILITIES AND NET ASSETS	\$ 24,274,684	\$ 21,731,092

The accompanying notes are an integral part of these financial statements

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 1,683,191	\$ 27,438	\$ 1,710,629
Grants	62,636	-	62,636
Bequests	1,727,325	-	1,727,325
Change in value of contributions from charitable trusts	-	171,055	171,055
Change in beneficial interest in assets held by others	127,687	-	127,687
Interest and dividend income	221	-	221
Realized and unrealized gains (losses)	828,352	-	828,352
Special events			
Net of expenses of \$30,562	5,693		5,693
Retail center sales	699,174	-	699,174
Program services	1,229,390	-	1,229,390
Loss on disposal of assets	(18,495)	-	(18,495)
Other income	79	-	79
Employee Retention Credit	230,959	-	230,959
Forgiveness of debt	382,500	-	382,500
Net assets released from restriction	26,528	(26,528)	-
Total revenues, gains (losses) and other support	6,985,240	171,965	7,157,205
Operating expenses			
Program services	3,562,567	-	3,562,567
Management and general	178,110	-	178,110
Fundraising	370,546	-	370,546
Total operating expenses	4,111,223	-	4,111,223
Increase (decrease) in net assets	2,874,017	171,965	3,045,982
Net assets at beginning of year	17,244,897	1,327,947	18,572,844
Net assets at end of year	\$ 20,118,914	\$ 1,499,912	\$ 21,618,826

The accompanying notes are an integral part of these financial statements

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 1,162,265	\$ 27,024	\$ 1,189,289
Grants	92,184	-	92,184
Bequests	1,806,914	-	1,806,914
Change in value of contributions from charitable trusts	-	202,972	202,972
Change in beneficial interest in assets held by others	37,477	-	37,477
Change in cash surrender value of life insurance	-	(30,623)	(30,623)
Interest and dividend income	222,218	-	222,218
Realized and unrealized gains (losses)	551,567	-	551,567
Special events			
Net of expenses of \$104,078	175,369	-	175,369
Retail center sales	765,080	-	765,080
Program services	1,112,462	-	1,112,462
Loss on disposal of assets	(1,013,516)	-	(1,013,516)
Other income	1,483	-	1,483
Net assets released from restriction	198,627	(198,627)	
Total revenues, gains (losses) and other support	<u>5,112,130</u>	<u>746</u>	<u>5,112,876</u>
Operating expenses:			
Program services	3,036,814	-	3,036,814
Management and general	187,343	-	187,343
Fundraising	178,636	-	178,636
Total operating expenses	<u>3,402,793</u>	<u>-</u>	<u>3,402,793</u>
Increase (decrease) in net assets	1,709,337	746	1,710,083
Net assets at beginning of year	<u>15,535,560</u>	<u>1,327,201</u>	<u>16,862,761</u>
Net assets at end of year	<u>\$ 17,244,897</u>	<u>\$ 1,327,947</u>	<u>\$ 18,572,844</u>

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, 2021

	Program Services				Supporting Services			Program and Supporting Services Expenses
	Shelter	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fundraising	Total Support Services Expenses	
Salaries	\$ 883,227	\$ 605,339	\$ 120,207	\$ 1,608,773	\$ 98,603	\$ 155,202	\$ 253,805	\$ 1,862,578
Employee benefits and taxes	122,171	73,228	11,128	206,527	11,288	17,085	28,373	234,900
Retail purchases for sale	58,903	331,047	-	389,950	-	-	-	389,950
Kennel supplies	59,566	3,433	-	62,999	-	-	-	62,999
Veterinary medical services	138,222	184,868	-	323,090	-	-	-	323,090
Contracts and services	20,290	43,226	2,714	66,230	84	28,107	28,191	94,421
Utilities	56,999	7,196	7,671	71,866	5,470	7,671	13,141	85,007
Repairs and maintenance	68,583	22,461	5,147	96,191	4,624	5,035	9,659	105,850
Insurance	46,991	15,934	7,508	70,433	10,774	4,301	15,075	85,508
Donor development	-	-	16,454	16,454	-	77,192	77,192	93,646
Accounting and legal	-	-	-	-	30,805	824	31,629	31,629
Telephone	9,215	7,327	1,173	17,715	831	1,825	2,656	20,371
Auto	1,869	217	30	2,116	22	30	52	2,168
Rent expense	-	94,308	-	94,308	-	-	-	94,308
Office expenses	2,914	3,881	798	7,593	863	31,983	32,846	40,439
Bank charges	8,356	34,529	7	42,892	6,986	10,925	17,911	60,803
Program materials	12,717	7,838	4,762	25,317	-	-	-	25,317
Taxes	1,104	-	158	1,262	111	158	269	1,531
Dues and subscriptions	30,055	18,039	12,236	60,330	3,722	25,623	29,345	89,675
Seminars and training	4,258	4,867	177	9,302	79	223	302	9,604
Interest	70,937	-	-	70,937	-	-	-	70,937
Miscellaneous	7,674	6,430	997	15,101	786	4,362	5,148	20,249
Total Direct Expenses	1,604,051	1,464,168	191,167	3,259,386	175,048	370,546	545,594	3,804,980
Depreciation	226,620	73,499	3,062	303,181	3,062	-	3,062	306,243
Total Expenses	\$ 1,830,671	\$ 1,537,667	\$ 194,229	\$ 3,562,567	\$ 178,110	\$ 370,546	\$ 548,656	\$ 4,111,223

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, 2020

	Program Services				Supporting Services			Program and Supporting Services Expenses
	Shelter	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fundraising	Total Support Services Expenses	
Salaries	\$ 671,225	\$ 656,265	\$ 149,530	\$ 1,477,020	\$ 61,887	\$ 36,087	\$ 97,974	\$ 1,574,994
Employee benefits and taxes	104,202	87,831	18,319	210,352	10,410	5,699	16,109	226,461
Retail purchases for sale	36,095	387,218	-	423,313	-	-	-	423,313
Kennel supplies	67,085	35,324	-	102,409	-	-	-	102,409
Veterinary medical services	45	179,224	118	179,387	-	-	-	179,387
Contracts and services	13,489	57,000	4,199	74,688	5,819	4,920	10,739	85,427
Utilities	32,938	7,759	4,615	45,312	3,297	4,616	7,913	53,225
Repairs and maintenance	74,353	36,476	7,332	118,161	2,011	2,328	4,339	122,500
Insurance	19,275	9,551	2,734	31,560	7,404	586	7,990	39,550
Printing	3,688	1,958	2,152	7,798	358	501	859	8,657
Donor development	712	217	2,149	3,078	-	69,756	69,756	72,834
Accounting and legal	-	-	-	-	81,597	-	81,597	81,597
Telephone	5,816	7,295	3,024	16,135	2,543	2,276	4,819	20,954
Postage	207	706	207	1,120	2,617	350	2,967	4,087
Auto	4,027	-	-	4,027	-	-	-	4,027
Equipment lease	539	588	539	1,666	539	668	1,207	2,873
Office expenses	6,395	13,375	859	20,629	4,434	43,001	47,435	68,064
Bank charges	5,180	56,043	118	61,341	1,269	6,322	7,591	68,932
Program materials	7,521	1,201	5,114	13,836	-	-	-	13,836
Taxes	2,200	-	274	2,474	254	274	528	3,002
Rent expense	-	99,742	-	99,742	-	-	-	99,742
Dues and subscriptions	1,639	-	46	1,685	81	370	451	2,136
Seminars and training	2,027	5,026	23	7,076	932	5	937	8,013
Miscellaneous	5,743	4,275	846	10,864	647	877	1,524	12,388
Total Direct Expenses	1,064,401	1,647,074	202,198	2,913,673	186,099	178,636	364,735	3,278,408
Depreciation	91,423	30,474	1,244	123,141	1,244	-	1,244	124,385
Total Expenses	\$ 1,155,824	\$ 1,677,548	\$ 203,442	\$ 3,036,814	\$ 187,343	\$ 178,636	\$ 365,979	\$ 3,402,793

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, 2021 AND 2020

	2021	2020
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 3,045,982	\$ 1,710,083
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	306,243	124,385
Loss on disposal of assets	18,495	1,013,516
Forgiveness of debt	(382,500)	-
Non-cash contributions	-	(33,080)
Realized and unrealized gains (losses)	828,352	(621,257)
Change in value of contributions receivable from charitable trusts	(171,055)	(202,972)
Change in value of beneficial interest in assets held by others	(127,687)	(37,477)
Change in cash surrender value of life insurance	-	30,623
(Increase) decrease in:		
Employee Retention Credit receivable	(230,959)	-
Contribution receivable	(70,314)	-
Promises to give	-	1,724
Inventory	(18,067)	7,071
Prepaid expenses and other assets	(1,323)	41,051
Increase (decrease) in:		
Accounts payable	(460,383)	453,106
Accrued payroll and benefits	8,793	(62,723)
Unearned revenue	16,902	(139)
Net cash provided (used) by operating activities	2,762,479	2,423,911
Cash Flows from Investing Activities		
Purchase of property and equipment	(1,497,631)	(6,064,586)
Proceeds from sale of investments	3,365,214	9,821,438
Purchases of investments	(4,456,736)	(9,870,457)
Net cash provided (used) by investing activities	(2,589,153)	(6,113,605)
Cash Flows from Financing Activities		
Proceeds from notes payable	-	532,400
Repayments of notes payable	(149,900)	-
Proceeds from line of credit	1,515,000	3,800,302
Repayments of line of credit	(1,050,302)	(1,750,000)
Net cash provided (used) by financing activities	314,798	2,582,702
Net Increase (Decrease) in Cash	488,124	(1,106,992)
Cash, Beginning of Year	1,214,323	2,321,315
Cash, End of Year	\$ 1,702,447	\$ 1,214,323
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 70,937	\$ 22,305

The accompanying notes are an integral part of these financial statements

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The 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 engage the hearts, hands, and minds of the community to help animals. 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.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

Financial Statement Presentation

The financial statement presentation follows the provisions of the FASB for Not-for-Profit Entities. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

The Organization reports its investments at fair market value in accordance with GAAP. Unrealized gains and losses are included in the statements of activities, and reported as either net assets without donor restrictions or net assets with donor restrictions depending on the nature of specified restrictions or lack thereof.

Investment types as of December 31, 2021 and 2020 include:

	<u>2021</u>	<u>2020</u>
Equity securities	\$ 7,158,232	\$ 5,551,636
Fixed income	2,900,014	4,394,014
Money market funds	471,886	321,312
Total	<u>\$ 10,530,132</u>	<u>\$ 10,266,962</u>

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Inventory

Inventory consists of pet supplies, pet medications, and food which are used on the first-in first-out method. Inventory is stated at the lower of cost or net realizable value.

Contribution Receivable

Unconditional contributions receivable are recognized as contribution revenue when the promise is received. Contributions receivable with a donor-imposed condition are recognized when the condition, or barrier, is overcome.

The contribution receivable is recorded at net realizable value. An allowance for doubtful accounts is established based on specific assessment of all amounts that remain unpaid following normal payment periods. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period the determination is made. The entire receivable was collected during 2022. Therefore, at December 31, 2021, the contribution receivable is considered fully collectible and as a result, no allowance has been established.

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 GAAP, 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 Organization's statements of activities.

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 net assets without donor restrictions or net assets with donor restrictions when the donations have a time stipulation. Expenditures over \$1,500 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 of buildings and equipment is provided for using straight-line depreciation over the estimated useful lives of the respective assets. Estimated useful lives of assets range from 39 years for buildings; 5 to 10 years for building improvements; and 5 to 7 years for furniture, equipment and vehicles.

Unearned Revenue

Contributions, fees and other revenue sources collected in advance of special events that are held subsequent to year-end are deferred and recognized in the year in which the event occurs.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets

Net assets without donor restrictions are net assets that are available for general activities and obligations of the Organization. Net assets with donor restrictions are net assets that are restricted by donors to be used for specific purposes or are time-restricted.

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. 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. No amounts have been reflected in the statements for donated services, since no objective basis is available to measure the value of such services.

Revenue Recognition from Contracts

The Organization's revenues from contracts with customers result primarily from program services (adoption and surgery fees) and retail center sales. The Organization records revenue from contracts with customers based on a five-step model: identify the contract, identify performance obligations, determine the transaction price, allocate the contract transaction price to the performance obligations, and recognize the revenue when the control of goods or services is transferred to the customer.

Revenues from program services are recorded at the point of time the service is provided. Similarly, revenues from retail center sales are recognized at the point of time in which the control of the goods are transferred to the customer. Revenues for program services were \$1,229,390 and \$1,112,462 for the years ended December 31, 2021 and 2020, respectively. Revenues for retail center sales were \$699,174 and \$765,080 for the years ended December 31, 2021 and 2020, respectively.

Contributions

Contributions received are recorded as either changes in net assets without donor restrictions, or depending on the existence and/or nature of any donor restrictions, changes in net assets with donor restrictions. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions. If the restriction is fulfilled in the same time period in which the contribution is received, the Organization records the support as a contribution without donor restrictions.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Contributions - Continued

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 the trust is 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 contribution revenue. Conditional promises to give are not included as revenue until the conditions are substantially met.

Fair Value Measurements

The fair value measurement accounting literature under GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in the active markets for identical assets and have the highest priority. Level 2 inputs consist of observable inputs other than quoted prices for identical assets (Level 1). Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments.

When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 2 inputs are used for investments for which Level 1 inputs were not available. Level 3 inputs would only be used if Level 1 or Level 2 inputs were not available.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. There have been no changes in valuation methodologies used for the years ended December 31, 2021 and 2020.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been detailed in the statements of functional expenses and summarized on a functional basis in the statements of activities.

The financial statements report certain categories of expenses that are attributable to either a program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses allocated included rent, utilities and depreciation which are allocated on a square-footage basis, as well as salaries, payroll taxes and employee benefits which are allocated on the basis of estimates of time and effort.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Income Tax Status

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code except for unrelated business income. The Organization is required to pay income taxes on the excess revenues derived from activities unrelated to the tax exempt purpose of the Organization over the related expenses.

The Organization applies the provision for accounting for uncertainty in income taxes which requires all tax positions that meet a more-likely-than-not recognition threshold to be recognized. Management has reviewed their tax positions and concluded no liability or uncertain tax positions, or any interest or penalties related to uncertain tax positions, should be recognized in the Organization's financial statements. The Organization files income tax returns in the U.S. and the State of Florida, as applicable. The Organization's tax returns are subject to examination by the Internal Revenue Service for the three previous tax years.

Risk Concentrations

Financial instruments that potentially subject the Organization to concentrations of credit risk are cash and cash equivalents. The Organization maintains cash and cash equivalent balances at a financial institution and is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has not experienced any losses, and believes it is not exposed to any significant credit risk on cash and cash equivalents. The balance in excess of FDIC limits as of December 31, 2021 and 2020 was \$1,438,283 and \$975,515, respectively.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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. There was no effect on previously stated net assets.

NOTE 2 - CONTRIBUTIONS RECEIVABLE FROM CHARITABLE TRUSTS

In 1998, a donor established a trust naming the Organization as a 100% beneficiary of a charitable remainder trust. The fair market value of the assets held in the charitable remainder trust totaled \$1,936,154 and \$1,697,232 at December 31, 2021 and 2020, respectively. The Organization is to receive the remainder interest upon the death of the last of the income beneficiaries. Based on the beneficiary's life expectancy and use of a 2.5% discount rate in 2021 and a 2.3% discount rate in 2020, the present value of the future benefit expected to be received by the Organization was estimated to be \$1,475,620 and \$1,304,565 at December 31, 2021 and 2020, respectively.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - CONTRIBUTIONS RECEIVABLE FROM CHARITABLE TRUSTS - CONTINUED

The Organization is aware that it is named a 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 3 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization has transferred assets to the Community Foundation of Sarasota County, Inc. (the Foundation) to establish the Humane Society of Sarasota County Endowment Fund (the Fund). The Fund shall be used for support of the charitable and educational purposes of the Organization.

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 statements of activities. For the year ended December 31, 2021, the fair market value of the Fund was \$1,295,807 and the change in value was \$127,687. For the year ended December 31, 2020, the fair market value of the Fund was \$1,168,120 and the change in value was \$37,477.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation is as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 336,860	\$ 336,860
Buildings and improvements	8,292,083	278,156
Furniture and equipment	875,113	415,044
Vehicles	56,495	76,327
Construction in progress	-	<u>7,342,682</u>
Total property and equipment	<u>9,560,551</u>	8,449,069
Less accumulated depreciation	<u>(658,341)</u>	<u>(719,752)</u>
Total property and equipment, net	<u>\$ 8,902,210</u>	<u>\$ 7,729,317</u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$306,243 and \$124,385, respectively.

NOTE 5 - LINE OF CREDIT

In 2020, the Organization opened a revolving line of credit with a financial institution. The line is unsecured and the maximum amount available on the line of credit is \$700,000 with interest of monthly LIBOR and 4.5% with a maturity date of February 2022.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 5 – LINE OF CREDIT – CONTINUED

For the year ended December 31, 2021, there was no balance outstanding on this line of credit. For the year ended December 31, 2020, the balance outstanding on this line of credit was \$50,302.

In 2020, the Organization opened another revolving line of credit with a financial institution. The maximum amount available on the line of credit is \$4,000,000 with interest at the monthly LIBOR rate plus 2.0% with a maturity date of March 2022. The line is unsecured and only requires monthly interest payments until the line of credit matures. For the years ended December 31, 2021 and 2020, the balance outstanding was \$2,515,000 and \$2,000,000, respectively. Subsequent to December 31, 2021, the line of credit was renewed through July 13, 2023.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions relate to amounts from donors restricted for specific purposes or contributions from trusts for future periods. Net assets with donor restrictions consisted of the following for the years ended December 31:

	2021	2020
TLC Fund	\$ 18,535	\$ 3,086
Contributions receivable from charitable trusts	1,475,620	1,304,565
Military adoptions	5,757	992
Other	-	19,304
	\$ 1,499,912	\$ 1,327,947

Net assets were released from donor restrictions by incurring expense satisfying the restricted purposes specified by the donor in the amount of \$26,528 and \$198,627 for the years ended December 31, 2021 and 2020, respectively.

NOTE 7 – FAIR VALUE MEASUREMENTS

The Organization measured the fair value of the following assets using the fair value hierarchy inputs (see Note 1 for definitions) at December 31:

	Fair Value Measurements at December 31, 2021			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 471,886	\$ -	\$ -	\$ 471,886
Equity securities	7,158,232	-	-	7,158,232
Fixed income	2,900,014	-	-	2,900,014
Investments Total	10,530,132	-	-	10,530,132
Contributions Receivable from Charitable Trusts	-	-	1,475,620	1,475,620
Beneficial Interest in Assets Held by Others	1,295,807	-	-	1,295,807
Total Assets at Fair Value	\$ 11,825,939	\$ -	\$ 1,475,620	\$ 13,301,559

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – FAIR VALUE MEASUREMENTS – CONTINUED

	Fair Value Measurements at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 321,312	\$ –	\$ –	\$ 321,312
Equity securities	5,551,636	–	–	5,551,636
Fixed income	4,394,014	–	–	4,394,014
Investments Total	<u>10,266,962</u>	<u>–</u>	<u>–</u>	<u>10,266,962</u>
Contributions Receivable from Charitable Trusts	<u>–</u>	<u>–</u>	<u>1,304,565</u>	<u>1,304,565</u>
Beneficial Interest in Assets Held by Others	<u>1,168,120</u>	<u>–</u>	<u>–</u>	<u>1,168,120</u>
Total Assets at Fair Value	<u>\$ 11,435,082</u>	<u>\$ –</u>	<u>\$ 1,304,565</u>	<u>\$ 12,739,647</u>

Investments are valued using the closing price reported in actively traded markets. The beneficial interest in assets held by others is valued based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's fair value estimates as of December 31, 2021 and 2020. Contributions receivable from charitable trusts are based on a present value of expected future benefits utilizing mortality tables.

The following table sets forth a summary of the changes in fair value of the Organization's Level 3 assets for the years ended December 31, 2021 and 2020:

	2021	2020
Balance, beginning of year	\$ 1,304,565	\$ 1,101,593
Change in value	171,055	202,972
Balance, end of year	<u>\$ 1,475,620</u>	<u>\$ 1,304,565</u>

NOTE 8 – ENDOWMENT

The Organization holds an investment account that is established as an endowment. The Organization is subject to the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) and classifies amounts in its endowment fund as net assets without donor restrictions because those net assets are not donor director or have donor imposed time restrictions.

The Board of Directors of the Organization has interpreted FUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, when reviewing its endowment, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted FUPMIFA to permit spending from underwater funds in accordance with the prudent measures required under law.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - ENDOWMENT - CONTINUED

In accordance with FUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Organization and the endowment fund;
3. General economic conditions;
4. The possible effect of inflation and deflation;
5. The expected total return from income and the appreciation of investments;
6. Other resources of the Organization
7. The investment policies of the Organization.

The Organization has adopted investment and spending policies for endowment assets that attempt to protect the principal of the fund, provide consistent long-term income returns, and protect the Organization against long-term inflation trends. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

The Organization has designated the earnings of the endowment funds for the support of the charitable and educational purposes of the Organization. These funds can be used at the discretion of the Board of Directors.

The endowment net asset composition at December 31 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total at December 31, 2021
Board-designated endowment funds	\$ 1,295,807	\$ -	\$ 1,295,807
	Without Donor Restrictions	With Donor Restrictions	Total at December 31, 2020
Board-designated endowment funds	\$ 1,168,120	\$ -	\$ 1,168,120

The changes in the Organization's endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2019	\$ 1,130,643	\$ -	\$ 1,130,643
Investment return			
Withdrawals	-	-	-
Investment income	-	-	-
Net appreciation realized and unrealized	37,477	-	37,477
Total investment return	37,477	-	37,477
Endowment net assets, December 31, 2020	1,168,120	-	1,168,120
Investment return			
Withdrawals	(48,967)	-	(48,967)
Investment income	29,379	-	29,379
Net appreciation realized and unrealized	147,275	-	147,275
Total investment return	127,687	-	127,687
Endowment net assets, December 31, 2021	\$ 1,295,807	\$ -	\$ 1,295,807

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 9 - OPERATING LEASE

The Organization leases a commercial building for vet clinic operations. Rent expense for the years ended December 31, 2021 and 2020, was \$94,308 and \$102,615, respectively. Minimum future lease payments are as follows for the year ended December 31:

2022		\$	95,003
2023			39,585
			134,588
		\$	134,588

NOTE 10 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by amounts not available for general use within one year. Amounts not available include contractual or donor-imposed restrictions and assets not in spendable form.

	2021	2020
Financial assets at December 31, 2021	\$ 24,274,684	\$ 21,731,092
Less those unavailable for general expenditure within one year due to donor restrictions	(1,499,912)	(1,327,947)
Less assets that are not in spendable form:		
Inventory	(58,872)	(40,805)
Prepays and other assets	(8,323)	(7,000)
Beneficial interest in assets held by others	(1,295,807)	(1,168,120)
Property and equipment	(8,902,210)	(7,729,317)
Financial assets available for use	\$ 12,509,560	\$ 11,457,903

The Organization receives contributions throughout the year that may be subject to donor restriction. Because a donor's restriction requires resources to be used in a particular manner or for a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity measurement, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations that become due within the next year.

The Organization also has a line of credit and a board-designated endowment that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities.

NOTE 11 - PAYROLL PROTECTION PROGRAM

In 2020, the Organization received a loan through the Payroll Protection Program (PPP) in the amount of \$382,500 with interest at 1%. During 2021, the Organization applied for and was granted full forgiveness. Therefore, the Organization recognized the entire amount as forgiveness of debt during the year ended December 31, 2021 in the statement of activities.

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 12 - SMALL BUSINESS ADMINISTRATION ECONOMIC INJURY DISASTER LOAN

In 2020, the Organization was granted a loan from the Small Business Administration in the amount of \$150,000 with interest at 2.75%. During 2021, the Organization paid back the loan and interest due in full.

NOTE 13 - EMPLOYEE RETENTION CREDIT

The Infrastructure Investment and Jobs Act enacted on November 15, 2021 provided an Employee Retention Credit (ERC) which is a refundable tax credit against certain employment taxes equal to 50% of the qualified wages an eligible employer pays to employees after March 12, 2020, and before January 1, 2021. The Organization was eligible to receive an employee retention credit totaling \$230,959. The credit is reported as an Employee Retention Credit during the year ended December 31, 2021 in the statement of activities and as a receivable in the statement of financial position as of December 31, 2021. Management expects to receive the entire credit in 2022.

NOTE 14 - COMMITMENTS

In 2017, the Organization approved a shelter renovation project. As a result of this project, the Organization has entered into contracts with a construction management firm for a total contract price of \$7,354,310. For the year ended December 31, 2020, the Organization had a remaining commitment of \$1,206,333. During 2021, the shelter was completed and the remaining commitment was paid in full.

NOTE 15 - CONTINGENCY

Management of the Organization is evaluating the risks associated with the COVID-19 pandemic. Management of the Organization continues to implement risk mitigation as to the risk of impact, if any, of COVID-19 related to all aspects of the Organization's business transactions with vendors and human interaction within and outside of the Organization. However, the Organization cannot at this time make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE 16 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 24, 2022, which is the date the financial statements were available to be issued.