

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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 statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the 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, 2023 and 2022, 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.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

CS&L CPA's, P.A.

CS&L CPAs

Sarasota, Florida
February 5, 2025

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 1,384,234	\$ 1,381,275
Trade accounts receivable	-	13,771
Employee Retention Credit receivable	-	230,959
Contribution receivable	72,001	77,575
Investments	9,620,603	8,395,991
Inventory	127,281	76,475
Prepaid expenses and other assets	51,196	46,856
Contributions receivable from a charitable trust	1,466,525	1,251,282
Beneficial interest in assets held by others	1,165,479	1,051,104
Beneficial interest in a charitable trust	1,857,108	-
Property and equipment, net	9,086,807	8,780,280
TOTAL ASSETS	\$ 24,831,234	\$ 21,305,568
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 800,000	\$ 615,000
Accounts payable	161,466	92,627
Accrued payroll and benefits	113,855	79,959
Unearned revenue	-	21,500
Total liabilities	1,075,321	809,086
Net Assets		
Without donor restrictions	20,186,186	19,130,152
With donor restrictions	3,569,727	1,366,330
Total net assets	23,755,913	20,496,482
TOTAL LIABILITIES AND NET ASSETS	\$ 24,831,234	\$ 21,305,568

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, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 1,048,097	\$ 413,816	\$ 1,461,913
Grants	103,942	84,375	188,317
Bequests	2,083,369	2,256,069	4,339,438
Change in value of contributions from a charitable trust	-	215,243	215,243
Change in beneficial interest in assets held by others	114,375	-	114,375
Change in beneficial interest in a charitable trust	-	91,039	91,039
Investment income (losses)	1,259,446	-	1,259,446
Special events			
Net of expenses of \$162,735	(11,367)	-	(11,367)
Retail center sales	550,117	-	550,117
Program services	989,929	-	989,929
Gain (loss) on disposal of assets	(12,381)	-	(12,381)
Other income	2,097	-	2,097
Net assets released from restriction	857,145	(857,145)	-
Total revenues, gains (losses) and other support	6,984,769	2,203,397	9,188,166
Operating expenses			
Program services	5,251,203	-	5,251,203
Management and general	79,701	-	79,701
Fundraising	597,831	-	597,831
Total operating expenses	5,928,735	-	5,928,735
Increase (decrease) in net assets	1,056,034	2,203,397	3,259,431
Net assets at beginning of year	19,130,152	1,366,330	20,496,482
Net assets at end of year	\$ 20,186,186	\$ 3,569,727	\$ 23,755,913

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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 1,728,865	\$ 125,837	\$ 1,854,702
Grants	185,794	-	185,794
Bequests	2,064,450	-	2,064,450
Change in value of contributions from charitable trusts	-	(224,338)	(224,338)
Change in beneficial interest in assets held by others	(244,703)	-	(244,703)
Investment income (losses)	(1,471,973)	-	(1,471,973)
Special events			
Net of expenses of \$72,670	64,405	-	64,405
Retail center sales	553,859	-	553,859
Program services	868,955	-	868,955
Gain (loss) on disposal of assets	(3,570)	-	(3,570)
Other income	2,444	-	2,444
Net assets released from restriction	35,081	(35,081)	-
Total revenues, gains (losses) and other support	<u>3,783,607</u>	<u>(133,582)</u>	<u>3,650,025</u>
Operating expenses:			
Program services	4,251,719	-	4,251,719
Management and general	88,350	-	88,350
Fundraising	432,300	-	432,300
Total operating expenses	<u>4,772,369</u>	<u>-</u>	<u>4,772,369</u>
Increase (decrease) in net assets	(988,762)	(133,582)	(1,122,344)
Net assets at beginning of year	<u>20,118,914</u>	<u>1,499,912</u>	<u>21,618,826</u>
Net assets at end of year	<u>\$ 19,130,152</u>	<u>\$ 1,366,330</u>	<u>\$ 20,496,482</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, 2023

	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	\$ 1,689,593	\$ 754,160	\$ 52,629	\$ 2,496,382	\$ 28,400	\$ 201,896	\$ 230,296	\$ 2,726,678
Employee benefits and taxes	271,587	114,236	4,899	390,722	3,011	33,803	36,814	427,536
Retail purchases for sale	32,519	251,707	-	284,226	-	6,458	6,458	290,684
Animal care supplies	149,085	1,134	392	150,611	-	-	-	150,611
Veterinary medical services	216,377	176,502	-	392,879	-	-	-	392,879
Contracts and services	42,806	106,724	3,401	152,931	129	19,396	19,525	172,456
Utilities	88,385	15,739	2,928	107,052	1,107	8,071	9,178	116,230
Repairs and maintenance	170,345	34,159	3,849	208,353	1,502	14,441	15,943	224,296
Insurance	81,498	31,879	3,304	116,681	1,525	5,459	6,984	123,665
Advertising & donor development	-	46	-	46	-	196,766	196,766	196,812
Accounting and legal	-	-	-	-	22,160	4,087	26,247	26,247
Telephone	16,230	7,965	979	25,174	1,349	2,631	3,980	29,154
Auto	2,914	317	1	3,232	321	68	389	3,621
Rent expense	-	45,136	-	45,136	-	-	-	45,136
Office expenses	6,526	3,799	188	10,513	151	11,072	11,223	21,736
Bank charges	7,171	35,745	-	42,916	2,341	9,136	11,477	54,393
Program materials	48,224	6,765	8,678	63,667	-	87	87	63,754
Taxes	4,319	1,728	133	6,180	66	399	465	6,645
Dues and subscriptions	62,749	36,476	5,403	104,628	2,306	37,314	39,620	144,248
Seminars and training	29,154	1,706	110	30,970	1,951	5,021	6,972	37,942
Interest	53,893	-	-	53,893	-	-	-	53,893
Miscellaneous	17,961	6,561	797	25,319	812	4,410	5,222	30,541
Bad debt	104,005	70,792	17,483	192,280	8,835	14,902	23,737	216,017
Total Direct Expenses	<u>3,095,341</u>	<u>1,703,276</u>	<u>105,174</u>	<u>4,903,791</u>	<u>75,966</u>	<u>575,417</u>	<u>651,383</u>	<u>5,555,174</u>
Depreciation	<u>242,815</u>	<u>97,126</u>	<u>7,471</u>	<u>347,412</u>	<u>3,735</u>	<u>22,414</u>	<u>26,149</u>	<u>373,561</u>
Total Expenses	<u>\$ 3,338,156</u>	<u>\$ 1,800,402</u>	<u>\$ 112,645</u>	<u>\$ 5,251,203</u>	<u>\$ 79,701</u>	<u>\$ 597,831</u>	<u>\$ 677,532</u>	<u>\$ 5,928,735</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, 2022

	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	\$ 1,381,370	\$ 480,542	\$ 49,012	\$ 1,910,924	\$ 30,371	\$ 165,657	\$ 196,028	\$ 2,106,952
Employee benefits and taxes	192,895	72,759	4,176	269,830	3,203	21,573	24,776	294,606
Retail purchases for sale	38,838	272,768	-	311,606	-	654	654	312,260
Animal care supplies	106,502	2,631	-	109,133	134	20,694	20,828	129,961
Veterinary medical services	178,234	146,035	-	324,269	-	-	-	324,269
Contracts and services	60,289	141,789	2,843	204,921	109	341	450	205,371
Utilities	84,183	7,661	2,920	94,764	4,379	5,839	10,218	104,982
Repairs and maintenance	112,355	24,787	13,317	150,459	5,198	6,888	12,086	162,545
Insurance	53,949	18,316	1,701	73,966	5,563	3,276	8,839	82,805
Advertising & donor development	-	-	-	-	-	112,379	112,379	112,379
Accounting and legal	-	-	-	-	23,795	1,641	25,436	25,436
Telephone	14,672	7,477	385	22,534	1,777	2,301	4,078	26,612
Auto	9,228	261	-	9,489	-	-	-	9,489
Rent expense	-	99,887	-	99,887	-	-	-	99,887
Office expenses	7,844	2,474	290	10,608	465	8,232	8,697	19,305
Bank charges	7,056	27,121	-	34,177	1,911	12,095	14,006	48,183
Program materials	55,307	22,679	8,462	86,448	-	31,382	31,382	117,830
Taxes	5,238	-	182	5,420	272	363	635	6,055
Dues and subscriptions	46,083	21,889	1,086	69,058	3,562	34,956	38,518	107,576
Seminars and training	16,783	72	-	16,855	3,002	225	3,227	20,082
Interest	73,728	-	-	73,728	-	-	-	73,728
Miscellaneous	16,106	5,813	641	22,560	1,063	3,804	4,867	27,427
Total Direct Expenses	2,460,660	1,354,961	85,015	3,900,636	84,804	432,300	517,104	4,417,740
Depreciation	262,425	85,112	3,546	351,083	3,546	-	3,546	354,629
Total Expenses	\$ 2,723,085	\$ 1,440,073	\$ 88,561	\$ 4,251,719	\$ 88,350	\$ 432,300	\$ 520,650	\$ 4,772,369

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, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ 3,259,431	\$ (1,122,344)
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	373,561	354,629
(Gain) loss on disposal of assets	12,381	3,570
Realized and unrealized gains (losses)	(1,259,446)	1,471,973
Change in value of contributions receivable from a charitable trust	(215,243)	224,338
Change in value of beneficial interest in assets held by others	(163,882)	-
Change in value of beneficial interest in a charitable trust	(91,039)	194,640
Provision for Employee Retention Credit	215,728	-
(Increase) decrease in:		
Trade accounts receivable	13,771	(13,771)
Employee Retention Credit receivable	15,231	-
Contribution receivable	5,574	(7,261)
Inventory	(50,806)	(17,603)
Prepaid expenses and other assets	(4,340)	(38,533)
Increase (decrease) in:		
Accounts payable	68,839	12,651
Accrued payroll and benefits	33,896	36,202
Unearned revenue	(21,500)	4,375
Net cash provided (used) by operating activities	2,192,156	1,102,866
Cash Flows from Investing Activities		
Purchase of property and equipment	(705,469)	(236,269)
Proceeds from sale of equipment	13,000	-
Proceeds from beneficial interest in assets held by others	49,507	50,063
Proceeds from sale of investments	175,298	2,635,337
Purchases of investments	(140,464)	(1,973,169)
Net cash provided (used) by investing activities	(608,128)	475,962
Cash Flows from Financing Activities		
Proceeds from line of credit	185,000	-
Repayments of line of credit	-	(1,900,000)
Contribution from beneficial interest in charitable trusts	(1,766,069)	-
Net cash provided (used) by financing activities	(1,581,069)	(1,900,000)
Net Increase (Decrease) in Cash	2,959	(321,172)
Cash, Beginning of Year	1,381,275	1,702,447
Cash, End of Year	\$ 1,384,234	\$ 1,381,275
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 53,893	\$ 73,728

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.

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 2024. Therefore, at December 31, 2023, the contribution receivable is considered fully collectible and as a result, no allowance has been established. Similarly, there was no allowance established as of December 31, 2022.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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, 2023 and 2022 include:

	<u>2023</u>	<u>2022</u>
Equity securities	\$ 6,482,709	\$ 5,560,554
Fixed income	2,701,584	2,543,089
Money market funds	<u>436,310</u>	<u>292,348</u>
Total	<u>\$ 9,620,603</u>	<u>\$ 8,395,991</u>

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.

Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Community Foundation of Sarasota County, Inc. (the Foundation) to manage their investments. 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.

Beneficial Interest in Charitable Trust

The Organization was named a sole beneficiary in the Elizabeth K. Moebus Trust for the benefit of Humane Society of Sarasota, Inc. In accordance with GAAP, the Organization records the beneficial interest in the charitable trust at fair value in its statements of financial position. The fair value is re-measured at least 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 \$2,500 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.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property and Equipment – Continued

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 15 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.

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 veterinary 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 \$989,929 and \$868,955 for the years ended December 31, 2023 and 2022, respectively. Revenues for retail center sales were \$550,117 and \$553,859 for the years ended December 31, 2023 and 2022, respectively.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2023 and 2022.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

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, 2023 was \$1,064,724.

Estimates

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

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

NOTE 2 – CONTRIBUTIONS RECEIVABLE FROM A CHARITABLE TRUST

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 \$1,743,227 and \$1,524,560 at December 31, 2023 and 2022, respectively. The Organization is to receive the remainder interest of the trust 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, the present value of the future benefit expected to be received by the Organization was estimated to be \$1,466,525 and \$1,251,282 at December 31, 2023 and 2022, respectively.

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, 2023, the fair market value of the Fund was \$1,165,479 and the change in value was \$114,375. For the year ended December 31, 2022, the fair market value of the Fund was \$1,051,104 and the change in value was (\$244,703).

NOTE 4 – BENEFICIAL INTEREST IN CHARITABLE TRUSTS

In 2023, the Organization received notification it was named the sole beneficiary of the Elizabeth K. Moebus Trust for the benefit of the Humane Society of Sarasota, Inc. (the Trust). The Trust is an irrevocable testamentary trust administered by a third party and requires annual distributions to be paid to the Organization equal to 5% of the fair market value of the trust in perpetuity. Distributions are directed to be paid in semi-annual installments on June 30 and December 31. The Trust shall be used for support of the charitable purposes of the Organization.

The beneficial interest is recorded at the fair market value of the Trust as reported by the trust administrator. Changes in the value of the Trust are recorded as a change in beneficial interest in a charitable trust in the statements of activities. The initial contribution received from the Trust was \$1,766,069 and reported in the statement of activities as a bequest for the year ended December 31, 2023. The fair market value of the Fund was \$1,857,108 and the change in value was \$91,039 for the year ended December 31, 2023.

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

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation is as follows at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land	\$ 336,860	\$ 336,860
Buildings and improvements	9,058,552	8,371,458
Furniture and equipment	846,796	960,021
Vehicles	74,468	74,468
Construction in progress	-	22,915
Total property and equipment	<u>10,316,676</u>	<u>9,765,722</u>
Less accumulated depreciation	<u>(1,229,869)</u>	<u>(985,442)</u>
Total property and equipment, net	<u>\$ 9,086,807</u>	<u>\$ 8,780,280</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$373,561 and \$354,629, respectively.

NOTE 6 – LINE OF CREDIT

The Organization has a revolving line of credit with a financial institution. The maximum amount available on the line of credit is \$4,200,000 with interest at the monthly SOFR rate plus 2.4% with a maturity date of October 2024. The line is unsecured and only requires monthly interest payments until the line of credit matures. For the years ended December 31, 2023 and 2022, the balance outstanding was \$800,000 and \$615,000, respectively.

NOTE 7 – 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:

	<u>2023</u>	<u>2022</u>
Contributions receivable from charitable trusts	\$ 1,466,525	\$ 1,251,282
Beneficial interest in charitable trusts	1,857,108	-
Military adoptions	15,553	24,075
Capital equipment and improvements	183,273	90,973
Other	47,268	-
	<u>\$ 3,569,727</u>	<u>\$ 1,366,330</u>

Net assets were released from donor restrictions by incurring expense satisfying the restricted purposes specified by the donor in the amount of \$857,145 and \$35,081 for the years ended December 31, 2023 and 2022, respectively.

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

NOTE 8 – 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, 2023			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 436,310	\$ –	\$ –	\$ 436,310
Equity securities	6,482,709	–	–	6,482,709
Fixed income	2,701,584	–	–	2,701,584
Total	<u>9,620,603</u>	<u>–</u>	<u>–</u>	<u>9,620,603</u>
Contributions Receivable from a Charitable Trust	<u>–</u>	<u>–</u>	<u>1,466,525</u>	<u>1,466,525</u>
Beneficial Interest in Assets Held by Others	<u>1,165,479</u>	<u>–</u>	<u>–</u>	<u>1,165,479</u>
Beneficial Interest in a Charitable Trust				
Money market funds	83,925	–	–	83,925
Equity securities	1,001,244	–	–	1,001,244
Mutual funds	771,939	–	–	771,939
Total	<u>1,857,108</u>	<u>–</u>	<u>–</u>	<u>1,857,108</u>
Total Assets at Fair Value	<u>\$ 12,643,190</u>	<u>\$ –</u>	<u>\$ 1,466,525</u>	<u>\$ 14,109,715</u>

	Fair Value Measurements at December 31, 2022			
	Level 1	Level 2	Level 3	Total
Investments				
Money market funds	\$ 292,348	\$ –	\$ –	\$ 292,348
Equity securities	5,560,554	–	–	5,560,554
Fixed income	2,543,089	–	–	2,543,089
Investments Total	<u>8,395,991</u>	<u>–</u>	<u>–</u>	<u>8,395,991</u>
Contributions Receivable from Charitable Trusts	<u>–</u>	<u>–</u>	<u>1,251,282</u>	<u>1,251,282</u>
Beneficial Interest in Assets Held by Others	<u>1,051,104</u>	<u>–</u>	<u>–</u>	<u>1,051,104</u>
Total Assets at Fair Value	<u>\$ 9,447,095</u>	<u>\$ –</u>	<u>\$ 1,251,282</u>	<u>\$ 10,698,377</u>

Investments are valued using the closing price reported in actively traded markets.

Contributions receivable from charitable trusts are based on a present value of expected future benefits utilizing mortality tables.

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, 2023 and 2022.

The beneficial interest in charitable trusts is valued based on the fair market value of the underlying investments in the trust as of December 31, 2023.

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

NOTE 8 – FAIR VALUE MEASUREMENTS –CONTINUED

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 1,251,282	\$ 1,475,620
Change in value	215,243	(224,338)
Balance, end of year	<u>\$ 1,466,525</u>	<u>\$ 1,251,282</u>

NOTE 9 – 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.

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; and
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.

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

NOTE 9 – ENDOWMENT – CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total at December 31, 2023
Board-designated endowment funds	<u>\$ 1,165,479</u>	<u>\$ -</u>	<u>\$ 1,165,479</u>
	Without Donor Restrictions	With Donor Restrictions	Total at December 31, 2022
Board-designated endowment funds	<u>\$ 1,051,104</u>	<u>\$ -</u>	<u>\$ 1,051,104</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, December 31, 2021	\$ 1,295,807	\$ -	\$ 1,295,807
Investment return			
Withdrawals	(50,063)	-	(50,063)
Investment income	45,634	-	45,634
Net appreciation realized and unrealized	(240,274)	-	(240,274)
Total investment return	<u>(244,703)</u>	<u>-</u>	<u>(244,703)</u>
Endowment net assets, December 31, 2022	1,051,104	-	1,051,104
Investment return			
Withdrawals	(49,507)	-	(49,507)
Investment income	30,353	-	30,353
Net appreciation realized and unrealized	133,529	-	133,529
Total investment return	<u>114,375</u>	<u>-</u>	<u>114,375</u>
Endowment net assets, December 31, 2023	<u>\$ 1,165,479</u>	<u>\$ -</u>	<u>\$ 1,165,479</u>

NOTE 10 – 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 was reported as an Employee Retention Credit during 2021 and the amount remained as a receivable as of December 31, 2022. During 2023, the Organization collected \$15,231 of the receivable. As of February 5, 2025, the remaining amount had not been collected and accordingly, management determined the remaining receivable of \$215,728 may not be collectable and has recorded an allowance for doubtful accounts for the full amount.

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

NOTE 11 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization’s financial assets as of December 31, 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Financial assets at December 31	\$ 24,831,234	\$ 21,305,568
Less those unavailable for general expenditure within one year due to donor restrictions	(3,569,727)	(1,366,330)
Less assets that are not in spendable form:		
Inventory	(127,281)	(76,475)
Prepays and other assets	(51,196)	(46,856)
Beneficial interest in assets held by others	(1,165,479)	(1,051,104)
Property and equipment	<u>(9,086,807)</u>	<u>(8,780,280)</u>
Financial assets available for use	<u>\$ 10,830,744</u>	<u>\$ 9,984,523</u>

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 12 – RETIREMENT PLAN

Effective January 1, 2023, the Organization instituted a defined contribution retirement plan under Section 401(k) of the Internal Revenue Code. Under provisions of the plan, eligible employees (as determined by the terms of the plan) may defer a portion of their salaries up to a maximum amount as allowed under the Internal Revenue Code. The Organization may make a discretionary matching contribution as determined by the Board of Directors. The Organization’s contributions to the plan were \$45,631 for the year ended December 31, 2023.

NOTE 13 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through February 5, 2025, which is the date the financial statements were available to be issued.