

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022 AND 2021

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, 2022 and 2021, 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, 2022 and 2021, 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.

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

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

Sarasota, Florida
July 24, 2023

HUMANE SOCIETY OF SARASOTA COUNTY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 1,381,275	\$ 1,702,447
Accounts receivable	13,771	-
Employee Retention Credit receivable	230,959	230,959
Contribution receivable	77,575	70,314
Investments	8,395,991	10,530,132
Inventory	76,475	58,872
Prepaid expenses and other assets	46,856	8,323
Contributions receivable from charitable trusts	1,251,282	1,475,620
Beneficial interest in assets held by others	1,051,104	1,295,807
Property and equipment, net	8,780,280	8,902,210
TOTAL ASSETS	<u>\$ 21,305,568</u>	<u>\$ 24,274,684</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Line of credit	\$ 615,000	\$ 2,515,000
Accounts payable	92,627	79,976
Accrued payroll and benefits	79,959	43,757
Unearned revenue	21,500	17,125
Total liabilities	<u>809,086</u>	<u>2,655,858</u>
Net Assets		
Without donor restrictions	19,130,152	20,118,914
With donor restrictions	1,366,330	1,499,912
Total net assets	<u>20,496,482</u>	<u>21,618,826</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 21,305,568</u>	<u>\$ 24,274,684</u>

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 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
Gain (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	<u>6,985,240</u>	<u>171,965</u>	<u>7,157,205</u>
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	<u>4,111,223</u>	<u>-</u>	<u>4,111,223</u>
Increase (decrease) in net assets	2,874,017	171,965	3,045,982
Net assets at beginning of year	<u>17,244,897</u>	<u>1,327,947</u>	<u>18,572,844</u>
Net assets at end of year	<u>\$ 20,118,914</u>	<u>\$ 1,499,912</u>	<u>\$ 21,618,826</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
Kennel 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
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.
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.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities		
Increase (decrease) in net assets	\$ (1,122,344)	\$ 3,045,982
Adjustments to reconcile increase (decrease) in net assets to cash provided (used) by operating activities:		
Depreciation	354,629	306,243
Loss on disposal of assets	3,570	18,495
Forgiveness of debt	-	(382,500)
Realized and unrealized gains (losses)	1,471,973	828,352
Change in value of contributions receivable from charitable trusts	224,338	(171,055)
Change in value of beneficial interest in assets held by others	194,640	(127,687)
(Increase) decrease in:		
Accounts receivable	(13,771)	-
Employee Retention Credit receivable	-	(230,959)
Contribution receivable	(7,261)	(70,314)
Inventory	(17,603)	(18,067)
Prepaid expenses and other assets	(38,533)	(1,323)
Increase (decrease) in:		
Accounts payable	12,651	(460,383)
Accrued payroll and benefits	36,202	8,793
Unearned revenue	4,375	16,902
Net cash provided (used) by operating activities	1,102,866	2,762,479
Cash Flows from Investing Activities		
Purchase of property and equipment	(236,269)	(1,497,631)
Proceeds from beneficial interest in assets held by others	50,063	-
Proceeds from sale of investments	2,635,337	3,365,214
Purchases of investments	(1,973,169)	(4,456,736)
Net cash provided (used) by investing activities	475,962	(2,589,153)
Cash Flows from Financing Activities		
Repayments of notes payable	-	(149,900)
Proceeds from line of credit	-	1,515,000
Repayments of line of credit	(1,900,000)	(1,050,302)
Net cash provided (used) by financing activities	(1,900,000)	314,798
Net Increase (Decrease) in Cash	(321,172)	488,124
Cash, Beginning of Year	1,702,447	1,214,323
Cash, End of Year	\$ 1,381,275	\$ 1,702,447
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	\$ 73,728	\$ 70,937

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, 2022 and 2021 include:

	<u>2022</u>	<u>2021</u>
Equity securities	\$ 5,560,554	\$ 7,158,232
Fixed income	2,543,089	2,900,014
Money market funds	<u>292,348</u>	<u>471,886</u>
Total	<u>\$ 8,395,991</u>	<u>\$ 10,530,132</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 2023. Therefore, at December 31, 2022, 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 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.

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 \$868,955 and \$1,229,390 for the years ended December 31, 2022 and 2021, respectively. Revenues for retail center sales were \$553,859 and \$699,174 for the years ended December 31, 2022 and 2021, 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, 2022 and 2021.

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, 2022 was \$1,095,557.

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.

Adoption of New Accounting Standard

Effective January 1, 2022, the Organization adopted Accounting Standards Update (ASU) 2016-02 *Leases* (Topic 842), as amended, which in some instances requires lessees to recognize leases on their statement of financial position as lease liabilities with corresponding right-of-use-assets. The lease liability is measured at the present value of unpaid lease payments based on the reasonably certain lease term and corresponding discount rate. Upon implementation, management determined that there were no material long-term leases that would require recognition on the statement of financial position under Topic 842 as of December 31, 2022.

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 \$1,524,560 and \$1,936,154 at December 31,

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

NOTE 2 - CONTRIBUTIONS RECEIVABLE FROM CHARITABLE TRUSTS - CONTINUED

2022 and 2021, 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, the present value of the future benefit expected to be received by the Organization was estimated to be \$1,251,282 and \$1,475,620 at December 31, 2022 and 2021, 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, 2022, the fair market value of the Fund was \$1,051,104 and the change in value was (\$244,703). 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.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment, net of accumulated depreciation is as follows at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 336,860	\$ 336,860
Buildings and improvements	8,371,458	8,292,083
Furniture and equipment	960,021	875,113
Vehicles	74,468	56,495
Construction in progress	22,915	-
Total property and equipment	<u>9,765,722</u>	<u>9,560,551</u>
Less accumulated depreciation	<u>(985,442)</u>	<u>(658,341)</u>
Total property and equipment, net	<u><u>\$ 8,780,280</u></u>	<u><u>\$ 8,902,210</u></u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$354,629 and \$306,243, respectively.

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

NOTE 5 – 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 \$4,000,000 with interest at the monthly LIBOR rate plus 2.0% with a maturity date of July 2023. The line is unsecured and only requires monthly interest payments until the line of credit matures. For the years ended December 31, 2022 and 2021, the balance outstanding was \$615,000 and \$2,515,000, respectively.

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:

	2022	2021
TLC Fund	\$ -	\$ 18,535
Contributions receivable from charitable trusts	1,251,282	1,475,620
Military adoptions	24,075	5,757
Equipment	90,973	-
	\$ 1,366,330	\$ 1,499,912

Net assets were released from donor restrictions by incurring expense satisfying the restricted purposes specified by the donor in the amount of \$35,081 and \$26,528 for the years ended December 31, 2022 and 2021, 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, 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	8,395,991	-	-	8,395,991
Contributions Receivable from Charitable Trusts	-	-	1,251,282	1,251,282
Beneficial Interest in Assets Held by Others	1,051,104	-	-	1,051,104
Total Assets at Fair Value	\$ 9,447,095	\$ -	\$ 1,251,282	\$ 10,698,377

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

NOTE 7 – FAIR VALUE MEASUREMENTS – CONTINUED

	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	<u>10,530,132</u>	<u>-</u>	<u>-</u>	<u>10,530,132</u>
Contributions Receivable from Charitable Trusts	<u>-</u>	<u>-</u>	<u>1,475,620</u>	<u>1,475,620</u>
Beneficial Interest in Assets Held by Others	<u>1,295,807</u>	<u>-</u>	<u>-</u>	<u>1,295,807</u>
Total Assets at Fair Value	<u>\$ 11,825,939</u>	<u>\$ -</u>	<u>\$ 1,475,620</u>	<u>\$ 13,301,559</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 Organization's representation as to the distribution of the pooled investments in which the Organization participates using the Organization's fair value estimates as of December 31, 2022 and 2021. 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, 2022 and 2021:

	2022	2021
Balance, beginning of year	\$ 1,475,620	\$ 1,304,565
Change in value	<u>(224,338)</u>	<u>171,055</u>
Balance, end of year	<u><u>\$ 1,251,282</u></u>	<u><u>\$ 1,475,620</u></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

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

NOTE 8 – ENDOWMENT – CONTINUED

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
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, 2022
Board-designated endowment funds	<u>\$ 1,051,104</u>	<u>\$ -</u>	<u>\$ 1,051,104</u>
	Without Donor Restrictions	With Donor Restrictions	Total at December 31, 2021
Board-designated endowment funds	<u>\$ 1,295,807</u>	<u>\$ -</u>	<u>\$ 1,295,807</u>

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

NOTE 8 – ENDOWMENT – CONTINUED

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>127,687</u>	<u>-</u>	<u>127,687</u>
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	<u>\$ 1,051,104</u>	<u>\$ -</u>	<u>\$ 1,051,104</u>

NOTE 9 – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Organization’s financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets at December 31	\$ 21,305,568	\$ 24,274,684
Less those unavailable for general expenditure within one year due to donor restrictions	(1,366,330)	(1,499,912)
Less assets that are not in spendable form:		
Inventory	(76,475)	(58,872)
Prepays and other assets	(46,856)	(8,323)
Beneficial interest in assets held by others	(1,051,104)	(1,295,807)
Property and equipment	(8,780,280)	(8,902,210)
Financial assets available for use	<u>\$ 9,984,523</u>	<u>\$ 12,509,560</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.

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

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 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 statements of financial position as of December 31, 2022 and 2021.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 24, 2023, which is the date the financial statements were available to be issued.