

HUMANE SOCIETY OF SARASOTA COUNTY, INC.

Independent Auditors' Report
and
Audited Financial Statements

December 31, 2020 and 2019

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Humane Society of Sarasota County, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Humane Society of Sarasota County, Inc. as of December 31, 2020 and 2019, and the change 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.

Suplee Shea Cramer & Rocklein, P.A.

Suplee, Shea, Cramer & Rocklein, P.A.
Sarasota, Florida
November 12, 2021

Humane Society of Sarasota County, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 1,214,323	\$ 2,321,315
Investments	10,266,962	9,542,291
Promises to give	-	1,724
Inventory	40,805	47,876
Prepaid expenses and other assets	7,000	48,051
Contributions receivable from charitable trusts	1,304,565	1,101,593
Beneficial interest in assets held by others	1,168,120	1,130,643
Life insurance cash surrender value	-	30,623
Property and equipment, net of accumulated depreciation	7,729,317	2,823,947
TOTAL ASSETS	\$ 21,731,092	\$ 17,048,063
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Line of credit	\$ 2,050,302	\$ -
Accounts payable and accrued expenses	540,359	87,253
Accrued payroll and benefits	34,964	97,687
Unearned income	223	362
Total Current Liabilities	2,625,848	185,302
Long term debt	532,400	-
Total Liabilities	3,158,248	185,302
<u>Net Assets</u>		
Unrestricted net assets:		
Without donor restrictions	17,244,897	15,535,560
With donor restrictions	1,327,947	1,327,201
Total Net Assets	18,572,844	16,862,761
TOTAL LIABILITIES AND NET ASSETS	\$ 21,731,092	\$ 17,048,063

Humane Society of Sarasota County, Inc.
Statements of Activities
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restriction	With Donor Restrictions	Total	Without Donor Restriction	With Donor Restrictions	Total
Revenues, Gains, (Losses) and Other Support:						
Donations	\$ 1,162,265	\$ 27,024	\$ 1,189,289	\$ 1,227,699	\$ 86,990	\$ 1,314,689
Grants	92,184	-	92,184	-	82,000	82,000
Bequests	1,806,914	-	1,806,914	1,010,868	-	1,010,868
Change in the value of contributions from charitable trusts	-	202,972	202,972	-	291,547	291,547
Change in beneficial interest in assets held by others	37,477	-	37,477	148,558	-	148,558
Change in the cash surrender value of life insurance	-	(30,623)	(30,623)	-	732	732
Interest and dividend income	222,218	-	222,218	289,807	-	289,807
Realized and unrealized gains (losses) on investments, net of investment fees of \$69,690	551,567	-	551,567	1,073,370	-	1,073,370
Special events, net of expenses of \$99,243 in 2020 and \$104,078 in 2019	175,369	-	175,369	175,726	-	175,726
Retail center sales, net of cost of goods sold of \$423,312 in 2020 and \$457,417 in 2019	341,767	-	341,767	321,469	-	321,469
Program services	1,112,462	-	1,112,462	1,335,539	-	1,335,539
Loss on disposition of assets	(1,013,516)	-	(1,013,516)	-	-	-
Other income	1,483	-	1,483	3,080	-	3,080
Net assets released from restrictions	198,627	(198,627)	-	122,682	(122,682)	-
Total revenues, gains, (losses) and other support	4,688,817	746	4,689,563	5,708,798	338,587	6,047,385
Operating Expenses:						
Program services	2,613,501	-	2,613,501	2,741,559	-	2,741,559
Management and general	187,343	-	187,343	114,708	-	114,708
Fundraising	178,636	-	178,636	182,180	-	182,180
Total operating expenses	2,979,480	-	2,979,480	3,038,447	-	3,038,447
Increase (decrease) in net assets	1,709,337	746	1,710,083	2,670,351	338,587	3,008,938
Net assets at beginning of year	15,535,560	1,327,201	16,862,761	12,865,209	988,614	13,853,823
Net assets at end of year	\$ 17,244,897	\$ 1,327,947	\$ 18,572,844	\$ 15,535,560	\$ 1,327,201	\$ 16,862,761

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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities:		
Increase in net assets	<u>\$ 1,710,083</u>	<u>\$ 3,008,938</u>
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	124,385	104,437
Loss on disposition of assets	1,013,516	-
Non-cash contributions	(33,080)	(29,962)
Realized and unrealized gain (loss) on investments	(621,257)	(1,117,902)
Change in the value of contributions from charitable trusts	(202,972)	(291,547)
Change in the value of beneficial interest in assets held by others	(37,477)	(148,558)
Change in the cash surrender value of life insurance	30,623	(732)
(Increase) Decrease in:		
Promises to give	1,724	1,048
Inventory	7,071	(17,724)
Prepaid expenses and other assets	41,051	28,179
Change in contributions receivable from charitable trusts	-	6,030
Increase (Decrease) in:		
Accounts payable and accrued expenses	453,106	(5,876)
Accrued payroll and benefits	(62,723)	8,672
Unearned income	(139)	(9,719)
Total Adjustments	<u>713,828</u>	<u>(1,473,654)</u>
Net cash provided by operating activities	<u>2,423,911</u>	<u>1,535,284</u>
Cash Flows From Investing Activities:		
Purchase of property and equipment	(6,064,586)	(970,170)
Proceeds from sale of equipment	-	-
Proceeds from sale of investments	9,821,438	3,010,646
Purchases of investments	(9,870,457)	(3,222,461)
Net cash used by investing activities	<u>(6,113,605)</u>	<u>(1,181,985)</u>
Cash Flows From Financing Activities:		
Proceeds from long term debt	532,400	-
Proceeds from line of credit	3,800,302	-
Repayments of line of credit	(1,750,000)	-
Net cash provided by financing activities	<u>2,582,702</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	<u>(1,106,992)</u>	<u>353,299</u>
Cash and cash equivalents, beginning of year	<u>2,321,315</u>	<u>1,968,016</u>
Cash and cash equivalents, end of year	<u>\$ 1,214,323</u>	<u>\$ 2,321,315</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 22,305</u>	<u>\$ -</u>

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services				Supporting Services			Total Program & Supporting Services Expenses
	Shelter	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services Expenses	
Salaries	\$ 671,225	\$ 656,265	\$ 149,530	\$ 1,477,020	\$ 61,887	\$ 36,087	\$ 97,974	\$ 1,574,994
Employee benefits & taxes	104,202	87,831	18,319	210,352	10,410	5,699	16,109	226,461
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
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
Property taxes	2,200	-	274	2,474	254	274	528	3,002
Lease 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	1,028,306	1,259,856	202,198	2,490,360	186,099	178,636	364,735	2,855,095
Depreciation	91,423	30,474	1,244	123,141	1,244	-	1,244	124,385
Total Expenses	\$ 1,119,729	\$ 1,290,330	\$ 203,442	\$ 2,613,501	\$ 187,343	\$ 178,636	\$ 365,979	\$ 2,979,480

Humane Society of Sarasota County, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services				Supporting Services			Total Program & Supporting Services Expenses
	Shelter	Clinic	Community Outreach	Total Program Expenses	General and Administrative	Fundraising	Total Supporting Services Expenses	
Salaries	\$ 710,337	\$ 661,729	\$ 210,613	\$ 1,582,679	\$ 63,538	\$ 33,193	\$ 96,731	\$ 1,679,410
Employee benefits & taxes	105,394	91,248	38,497	235,139	12,920	6,240	19,160	254,299
Kennel supplies	82,709	18,686	173	101,568	-	-	-	101,568
Kennel supplies - in-kind	-	-	-	-	-	-	-	-
Veterinary medical services	-	187,555	-	187,555	-	-	-	187,555
Contracts and services	14,197	36,250	6,174	56,621	360	190	550	57,171
Utilities	38,989	7,592	6,034	52,615	1,392	-	1,392	54,007
Repairs and maintenance	49,463	8,875	11,800	70,138	1,166	4,877	6,043	76,181
Insurance	22,356	12,469	4,661	39,486	3,342	583	3,925	43,411
Adoption vet services	-	-	-	-	-	-	-	-
Printing	4,856	5,815	1,984	12,655	215	4,138	4,353	17,008
Development	1,279	333	996	2,608	11	86,237	86,248	88,856
Accounting and legal	14,626	10,416	3,266	28,308	18,611	11,522	30,133	58,441
Telephone	6,868	6,409	3,496	16,773	692	1,092	1,784	18,557
Postage	2,388	1,833	534	4,755	148	196	344	5,099
Auto	7,540	-	174	7,714	39	-	39	7,753
Equipment lease	1,257	915	110	2,282	593	593	1,186	3,468
Office expenses	7,645	10,166	7,262	25,073	5,843	24,529	30,372	55,445
Bank charges	7,390	40,607	103	48,100	29	7,737	7,766	55,866
Program materials	1,892	563	43,021	45,476	-	-	-	45,476
Property taxes	883	444	150	1,477	41	23	64	1,541
Lease expense	-	89,121	-	89,121	-	-	-	89,121
Dues and subscriptions	150	1,225	117	1,492	61	350	411	1,903
Seminars and training	7,236	4,075	2,999	14,310	65	144	209	14,519
Miscellaneous	3,846	5,823	2,301	11,970	4,850	536	5,386	17,356
Total Direct Expenses	1,091,301	1,202,149	344,465	2,637,915	113,916	182,180	296,096	2,934,011
Depreciation	52,067	25,543	26,034	103,644	792	-	792	104,436
Total Expenses	\$ 1,143,368	\$ 1,227,692	\$ 370,499	\$ 2,741,559	\$ 114,708	\$ 182,180	\$ 296,888	\$ 3,038,447

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies

Organization

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.

Financial Statements

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statement.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from those estimates and assumptions.

Basis of Presentation

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets subject to explicit or implicit donor-imposed stipulations. These stipulations may be met either by action or the passage of time or the assets be maintained permanently. Generally, the donors of permanently maintained assets permit the Organization to use all or part of the income earned on the related investments for general or specific purposes.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments

The Organization has adopted FASB Accounting Standards Codification 958-320-45, *Accounting for Certain Investments Held by Not-for-Profit Organizations* ("FASB ASC 958-320-45".) This statement requires reporting investments in equity securities that have readily determinable fair values and for all investments in debt securities at fair value.

Gains and losses are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless the use of the investments is restricted by explicit donor stipulations.

Dividends, interest, and other investment income is reported in the period earned as increases in net assets without donor restrictions, unless the use of the asset received is limited by donor-imposed restrictions. Donor-restricted investment income is reported as an increase in net assets without donor restrictions.

Fair market valuations are generally determined as follows:

Cash and cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Investments: The fair values of investments are based on quoted market prices for those or similar investments.

Contributions and Promises to Give

Contributions, including unconditional promises to give, are recognized as revenue when the donor commitment is received. Unconditional promises are recognized net of allowances. Promises made that are designated for future periods or restricted by donor specific purposes are recorded as temporarily restricted or permanently restricted support. However, if the restriction is fulfilled in the same time period in which the contribution is received, the Organization records the support as unrestricted.

The Organization used the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At December 31, 2020 and 2019, all amounts included in promises to give are deemed collectible, therefore no allowance was necessary.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

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 FASB Accounting Standards Codification 958-605 *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others* ("FASB ASC 958-605"), 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 Foundation's statements of activities. See also "Fair Value Measurements", below, and Note 4 - Beneficial Interest in Assets Held by Others.

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 unrestricted net assets or temporarily restricted net assets when the donations have a time stipulation. Expenditures over \$1,000 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 is calculated using the straight-line method over the estimated useful lives of the respective assets. Estimated service lives range from three to thirty-nine years.

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

Inventory

Inventory consists of pet supplies, pet medications, and food and is recorded at cost.

Income Tax Status

The Organization has been recognized by the Internal Revenue Service as a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the financial statements.

ASC Topic 740 requires the Organization to recognize in the financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The Organization has determined that it does not have any material unrecognized tax benefits or obligations as of December 31, 2020 and 2019.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 1 - Summary of Significant Accounting Policies (continued)

Income Tax Status (continued)

The Organization files a U.S. Federal information return. The Federal returns for the tax years 2017 through 2019 remain subject to examination by the Internal Revenue Service.

Revenue Recognition

The Organization recognizes donations when a written commitment from a donor is received. Occasionally, the Organization receives revenue from other nonprofit organizations, and the Organization recognizes grant revenue when awarded on an unconditional basis.

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 trusts are 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 bequest revenue. Conditional promises to give are not included until the conditions are substantially met.

Donations that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted donations are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Fair Value Measurements

The Organization adopted FASB Accounting Standards Codification 820-10 *Fair Value Measurements* ("FASB ASC 820-10"), which defines fair value, expands disclosure requirements around fair value, and specifies a hierarchy of valuation techniques. FASB ASC 820-10 applies to all assets and liabilities required to be measured and reported at fair value on a recurring or nonrecurring basis. In the Organization's case, FASB ASC 820-10 applies to its contributions receivable from charitable trusts, investments, and assets included in the line item "Beneficial Interest in Assets Held by Others". The fair value hierarchy, which ranks the quality and reliability of the information used to determine fair value, is as follows:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar or identical instruments in active markets, non-active markets, or other significant observable inputs.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

NOTE 1 - Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on direct usage or management's estimates of the benefit derived by each activity. The three classifications of expenses are program expenses, general and administrative expenses, and fundraising expenses. During the current year, a change in allocation was made; prior functional groupings Adoption and Kennel were combined and presented as Shelter. The financial information will be presented as noted for comparative purposes.

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.

NOTE 2 – Investments

The goal for the Organization is to provide a real total rate of return that preserves the purchasing power of the Organization's assets, while generating an income stream to support the Organization's activities. The Organization's real total return will be sought from an investment strategy that provides an opportunity for superior total return within acceptable levels of risk and volatility.

For the long-term, the primary investment objective for the Organization is to earn a total return (net of portfolio management fees), within prudent levels of risk, which is sufficient to maintain in real terms the purchasing power of the Organization's assets and support the defined spending policy. Therefore, the primary objective of the Organization is to achieve a total return of 4% to 5%.

The Board of Directors understands the long-term nature of the Organization and believes that investing in assets with higher return expectations outweighs their short-term volatility risk. As a result, the percentage of assets will be in equity or equity-like securities and alternative investments, while maintaining broad diversification across major asset classes in order to avoid dramatic declines in portfolio value.

Fixed income and absolute return strategies will be used to lower short-term volatility and provide stability, especially during periods of deflation and negative equity markets. Cash is not a strategic asset of the Organization, but is residual to the investment process and is used to meet short-term liquidity needs.

To achieve its investment objectives, the Organization shall allocate among a number of broad asset and sub-asset classes. Diversification among the various asset classes is necessary to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the performance of the total investment portfolio.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
December 31, 2020 and 2019

NOTE 2 – Investments (continued)

The general policy shall be to diversify investments among equity, fixed income, and alternative asset securities so as to provide a balance that will enhance total return while avoiding undue risk concentration in any single class or investment category.

The target asset allocation should provide an expected total return equal to or greater than the primary return objective of the Organization, while avoiding undue risk concentrations in any single asset class or category; thus, reducing risk at the overall portfolio level. To achieve these goals, the asset allocation mix will include domestic equities and international equities (30%-60%), fixed income securities (30%-55%), alternatives, hedge funds, and REITs (0%-5%) and cash and equivalents (0%-10%).

The following summarizes the market value of investments as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Equity securities	\$ 5,551,636	\$ 4,854,137
Fixed income securities	4,394,014	3,832,329
Commodity mutual funds	-	394,204
Real estate funds	-	254,607
Cash and cash equivalents	<u>321,312</u>	<u>216,014</u>
Total	<u>\$10,266,962</u>	<u>\$ 9,542,291</u>

The following schedule summarizes the components of net investment income as reported in the statement of activities for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Interest and dividend income	\$ 222,218	\$ 289,807
Net realized and unrealized gains (losses)	621,003	1,117,901
Investment fees	<u>(69,436)</u>	<u>(44,531)</u>
Total	<u>\$ 773,785</u>	<u>\$ 1,363,177</u>

NOTE 3 – Contributions Receivable from Charitable Trusts

In 1998, a donor established a trust naming the Organization as a 100% beneficiary of a charitable remainder trust. Fair market value of the assets held in the charitable remainder trust totaled \$1,697,232 and \$1,559,680 at December 31, 2020 and 2019, respectively. The Organization is to receive the remainder interest upon the death of the last of the income beneficiaries. Based on the donors' life expectancies, the assumption that the annual rate of return will equal the 5% payout that is paid to the beneficiaries each year, and use of a 2.3% discount rate in 2020 and a 3.1% discount rate in 2019, the present value of the future benefit expected to be received by the Organization was estimated to be \$1,304,565 and \$1,065,373 at December 31, 2020 and 2019, respectively.

Humane Society of Sarasota County, Inc.
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NOTE 3 – Contributions Receivable from Charitable Trusts (continued)

In 2001, a donor established a trust naming the Organization as a 25% beneficiary in the remainder interest of two other trusts, the present value of the future benefit expected to be received by the Organization was estimated to be \$-0- and \$36,220, in total, at December 31, 2020 and 2019, respectively.

The Organization is aware that it is a named 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 4 - Beneficial Interest in Assets Held by Others

As explained in Note 1, "Beneficial Interest in Assets Held by Others", the Organization has transferred assets to The Community Foundation of Sarasota County, Inc. ("the Foundation"). The Foundation is a nonprofit community foundation that, among other things, offers donors such as the Organization the ability to participate in the Foundation's investment pool.

On January 1, 2008, the Organization transferred an initial deposit of \$100,000 to the Community Foundation of Sarasota County, Inc. (the Foundation) to establish the Humane Society of Sarasota County Endowment Fund ("Fund"). According to the agreement, with the Foundation, the fund shall be used for support of the charitable and educational purposes of the Organization. During the year ended December 31, 2017 the Organization transferred an additional \$887,000 to the Community Foundation of Sarasota County.

Distributions from the fund shall be in accordance with the spending policy established by the Board of the Foundation and shall be paid and distributed at least annually, or more frequently, as the parties may agree, but no more frequently than quarterly. Distributions in excess of the Foundation's spending policy may be made to the Organization in any year as determined by the Board of the Foundation.

The Foundation will have the responsibility and authority for the investment of the assets of the Fund. The Fund may be commingled with other funds held by the Foundation to maximize investment value. The Fund shall be continued as long as the need therefore exists, and money or other property is available in the Fund for its purpose. Variance power was granted to the Foundation. The exercise of such power shall not be effective until the Foundation notifies the Organization of any decision made to exercise the variance power. Notification should be delivered in writing within 30 days following the Board's decision. The Foundation shall also notify the Organization of any other action instituted or proposed by any person to vary the purposes, uses or method of administration of the Fund.

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 4 - Beneficial Interest in Assets Held by Others (continued)

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 statement of activities. As of December 31, 2020, the fair market value of the Fund was \$1,168,120 and the change in the value of the Fund was \$37,476. As of December 31, 2019, the fair market value of the Fund was \$1,130,643 and the change in the value of the Fund was \$148,558.

NOTE 5 - Property and Equipment

A summary of property and equipment as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 336,860	\$ 336,860
Buildings and improvements	278,156	1,824,612
Furniture and equipment	415,044	1,002,863
Vehicle	76,327	84,609
Construction in progress	<u>7,342,682</u>	<u>1,299,411</u>
	8,449,069	4,548,355
Less accumulated depreciation	<u>(719,752)</u>	<u>(1,724,408)</u>
Furniture, fixtures and equipment, net	<u>\$ 7,729,317</u>	<u>\$ 2,823,947</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$124,385 and \$104,436.

NOTE 6 – Operating Lease

The organization leases a commercial building and office equipment under non-cancelable operating leases, expiring over different periods of time. The total expense for these leases for the years ended December 31, 2020 and 2019, was \$102,615 and \$92,589, respectively.

As of December 31, 2020, the future minimum lease payments, by year and in aggregate, for the operating leases with an initial or remaining terms of one year or more consist of the following:

2021	\$ 94,273
2022	93,608
2023	<u>39,060</u>
	<u>\$ 226,941</u>

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NOTE 7 – Operating Line of Credit

During the year the Organization terminated a line of credit agreement with Northern Trust. The line of credit limit was \$1,000,000, carrying an applicable interest rate of LIBOR plus 2%. As of December 31, 2020 and 2019 there was no balance payable.

During 2019, the Organization obtained a modified, revolving line of credit with Synovus Bank. The line of credit consists of an available \$500,000 in revolving working capital with an additional \$200,000 allocated to a purchasing card, total credit of \$700,000 available. The purchasing card carries no applicable interest rate on the outstanding balance due to a monthly payoff requirement. The line of credit holds a maturity date of November 1, 2021. As of December 31, 2020 and 2019 the line of credit held a balance due of \$50,302 and \$-0-, respectively.

During 2020, the Organization obtained a revolving line of credit with Synovus Bank. The line of credits limit is \$4,000,000, carrying an applicable interest rate of LIBOR plus 2%. The line of credit holds a maturity date of March 31, 2022. As of December 31, 2020 and 2019 the line of credit held a balance due of \$2,000,000 and \$-0-, respectively.

NOTE 8 - Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Milton Medical Fund	\$ 3,086	\$ 4,878
Contributions receivable from charitable trusts	1,304,565	1,101,593
Life insurance cash surrender value	-	30,623
ASPCA	-	6,952
Baldwin Fund	-	43,898
Brown Fund	-	10,000
Dupuis Fund	-	44,687
Byrd Family Fund	9,540	12,057
CFSC	9,764	44,996
Robert Buzelli Fund	-	24,569
Petco Foundation	-	818
Military Adoptions	992	2,130
	<u>\$ 1,327,947</u>	<u>\$ 1,327,201</u>

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NOTE 8 - Net Assets with Donor Restrictions (continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2020</u>	<u>2019</u>
Milton Medical Fund	\$ (1,792)	\$ (8,697)
Contributions receivable from charitable trusts	(36,220)	(6,030)
Life insurance cash surrender value	(30,623)	-
ASPCA	(6,952)	(17,729)
Baldwin Fund	(43,898)	-
Brown Fund	(10,000)	(10,000)
Dupuis Fund	(44,687)	(37,469)
Byrd Family Fund	(2,517)	(1,147)
CFSC	(60,859)	(34,004)
Robert Buzelli Fund	(24,569)	-
Meals on Wheels	(1,314)	(7,490)
Petco Foundation	(902)	(98)
Military Adoptions	(1,155)	(18)
	<u>\$ (265,488)</u>	<u>\$ (122,682)</u>

NOTE 9 – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor restricted amounts that are available for use within one year for general purposes include the final distribution for a charitable trust receivable in the amount of \$6,030 as of December 31, 2018.

	<u>2020</u>	<u>2019</u>
Financial assets at year-end	\$ 12,690,210	\$ 12,646,593
Less those unavailable for general expenditures within one year, due to:		
Charitable trusts receivable	1,304,565	810,046
Life insurance cash surrender value	-	29,891
Beneficial asset held by others	1,168,120	982,085
Donor restricted	<u>23,364</u>	<u>988,614</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 10,194,161</u>	<u>\$ 9,835,957</u>

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NOTE 10 - Concentration of Credit Risk

Humane Society of Sarasota County, Inc. maintains cash accounts in a commercial bank located in Sarasota, Florida. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time, the account balance may exceed \$250,000. The Organization had \$975,515 and \$2,229,663 in excess of federally insured deposits at December 31, 2020 and 2019, respectively.

NOTE 11 - Fair Value Measurements

The Organization's assets measured at fair value by level in the fair value hierarchy described at Note 1 "Fair Value Measurements" consists of the following at December 31, 2020 and 2019:

Description of asset	12/31/20	Fair Value Measurements at Reporting Date		
		Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 5,551,636	\$ 5,551,636	\$ -	\$ -
Fixed income securities	4,394,014	4,394,014	-	-
Cash and cash equivalents	321,312	321,312	-	-
Contributions receivable from charitable trusts	1,304,565	-	-	1,304,565
Beneficial interest in assets held by others*	<u>1,168,120</u>	<u>1,128,876</u>	<u>-</u>	<u>39,244</u>
Total	<u>\$ 12,739,647</u>	<u>\$ 11,395,838</u>	<u>\$ -</u>	<u>\$ 1,343,809</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2020.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2019	\$ 1,170,201
Change in value	<u>(173,608)</u>
Balance as of December 31, 2020	<u>\$ 1,343,809</u>

Humane Society of Sarasota County, Inc.
Notes to the Financial Statements
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NOTE 11 - Fair Value Measurements (continued)

Description of asset	12/31/19	Fair Value Measurements at Reporting Date		
		Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities	\$ 4,854,137	\$ 4,854,137	\$ -	\$ -
Fixed income securities	3,832,329	3,832,329	-	-
Commodity mutual fund	245,607	245,607	-	-
Real estate funds	394,204	394,204	-	-
Cash and cash equivalents	216,014	216,014	-	-
Contributions receivable from charitable trusts	1,101,593	-	-	1,101,593
Life insurance cash surrender value	30,623	-	-	30,623
Beneficial interest in assets held by others*	<u>1,130,643</u>	<u>1,092,658</u>	<u>-</u>	<u>37,985</u>
Total	<u>\$ 11,805,150</u>	<u>\$ 10,634,949</u>	<u>\$ -</u>	<u>\$ 1,170,201</u>

*Allocation of the Organization's assets held by the Foundation, at fair value, to the types of fair value measurement categories described above (i.e., Levels 1, 2, or 3) is based on the Foundation's representation as to the distribution of the pooled investments in which the Organization participates using the Foundation's reasonable estimate as of December 31, 2019.

Reconciliation of Level 3 Fair Value Measurements

Balance as of December 31, 2019	\$ 903,244
Change in value	<u>266,957</u>
Balance as of December 31, 2020	<u>\$ 1,170,201</u>

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NOTE 12 – Commitments

During the year ended December 31, 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. As a result of the project complexity and length of service the budgetary and contract amounts may vary from complete project costs. The contract commitment as currently estimated, is presented below.

The construction management service contract is presented as a two-phase contract: pre-construction and construction. The Pre-construction phase of the contract consists of eight monthly payments of \$2,500 with the caveat that if this phase proceeds as planned the entire phase cost (\$20,000) will be treated as a contribution from JE Charlotte to the Organization. The construction phase of the contract is subject to change orders throughout the process of completion. The estimated contract is approximately \$7,354,310. As of December 31, 2020, the Organization has a remaining commitment of \$1,206,333.

NOTE 13 – Payroll Protection Program

On April , 2020, the Organization was granted a loan from Synovus Bank in the aggregate amount of \$382,500, pursuant to the Paycheck Protection Program (PPP) under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

The loan, in the form of a note, matures on April 15, 2022 and bears an interest rate of 1.00% per annum, payable in monthly payments commencing six months from the date of the loan. The note may be prepaid at any time prior to maturity with no prepayment penalties. On August 11, 2021 the Organization received notification of forgiveness in the amount of \$382,500. Forgiveness will be treated as other income on the Statement of Activities.

NOTE 14 – Small Business Administration Economic Injury Disaster Loan

On May 30, 2020, the Organization was granted a \$150,000 loan from the Small Business Administration, pursuant to section 7b of the amended Small Business Act. The loan, in the form of a note, matures on May 30, 2050 and bears an interest rate of 2.75% per annum, payable in monthly payments of \$641 including interest. On May 17, 2021 the Organization paid \$153,910, consisting of interest and principal, to fully satisfy the loan.

NOTE 15 – Subsequent Events

Subsequent events have been evaluated through November 12, 2021, the date the financial statements were available to be issued.