



SUNCOAST HUMANE SOCIETY, INC.

AUDITED FINANCIAL STATEMENTS

December 31, 2019 and 2018

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Mercier CPA

Associates PA

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Suncoast Humane Society, Inc.
6781 San Casa Drive, Englewood, FL 34224

We have audited the accompanying statement of financial position of Suncoast Humane Society, Inc. (a not-for-profit organization) as of December 31, 2019, and the related statements of activities and cash flows for the year 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including assessment of 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 internal control. Accordingly, we express no such opinion. An audit also includes the 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 Suncoast Humane Society, Inc. as of December 31, 2019, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Suncoast Humane Society's December 31, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 26, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Mercier CPA Associates, PA
January 11, 2021

Suncoast Humane Society, Inc.
Statements of Financial Position
December 31, 2019 and 2018

	2019	2018
ASSETS:		
Cash and cash equivalents (NOTE D)	\$ 48,921	\$ 61,852
Cash restricted to building project (NOTE F)	348,948	671,233
Inventories (NOTE G)	25,000	20,662
Prepaid expenses	5,254	6,443
Unconditional promises to give (NOTE C)		
Without donor restrictions		
Restricted for Shelter Me Capital Campaign	3,079,254	512,315
Land, buildings and equipment (NOTE H)	841,554	876,481
Loan costs (net of amortization) (NOTE I)	3,613	4,645
Investments (NOTE J)	337,199	551,885
New facility costs	941,828	160,654
Security deposits	29,239	20,557
TOTAL ASSETS	\$ 5,660,810	\$ 2,886,727
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 155,781	\$ 104,482
Accrued payroll liabilities	-	5,476
Sales tax payable	7,856	7,513
Installment Loans	21,778	32,181
Mortgage payable - current portion	16,825	16,825
Total current liabilities	202,240	166,477
Long-term liabilities:		
Mortgage payable, less current portion	238,174	254,785
Total long-term liabilities	238,174	254,785
Total liabilities	440,414	421,262
Net Assets:		
Without Donor Restrictions (NOTE F)	1,785,937	1,310,366
With Donor Restrictions (NOTE E)	3,434,459	1,155,099
Total net assets	5,220,396	2,465,465
TOTAL LIABILITIES AND NET ASSETS	\$ 5,660,810	\$ 2,886,727

Suncoast Humane Society, Inc.
Statements of Activity
Years ended December 31, 2019 and 2018

	2019		2018	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and other support				
Contributions and Grants	\$ 323,864	\$ 3,063,004	\$ 3,386,868	\$ 1,739,216
Outreach Revenue	328,871	-	328,871	330,798
Animal Care and Clinic Revenue	603,494	-	603,494	580,669
Retail Revenue	1,229,593	-	1,229,593	1,139,063
Net assets released from restrictions				
Satisfaction of program restrictions (NOTE E)	783,644	(781,174)	2,470	-
Total operating revenues	3,269,466	2,281,830	5,551,296	3,789,746
Operating expenses				
Outreach Program Expenses	80,450	-	80,450	43,246
Animal Care and Clinic Expenses	1,671,756	2,470	1,674,226	1,499,506
Thrift Store and Fundraising Expenses	1,020,374	-	1,020,374	777,512
Management and General Expenses	108,108	-	108,108	305,217
Total operating expenses (NOTE J)	2,880,688	2,470	2,883,158	2,625,481
Operating revenue and gains in excess of operating expenses				
	388,778	2,279,360	2,668,138	1,164,265
Other items considered to be non-operating				
Investment Returns	99,469	-	99,469	(38,150)
Interest Expense	(12,676)	-	(12,676)	(12,983)
Change in net assets	475,571	2,279,360	2,754,931	1,113,132
Net assets at beginning of year	1,310,366	1,155,099	2,465,465	1,352,333
Net assets at end of year	<u>\$ 1,785,937</u>	<u>\$ 3,434,459</u>	<u>\$ 5,220,396</u>	<u>\$ 2,465,465</u>

Suncoast Humane Society, Inc.

Statements of Cash Flow

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,754,713	\$ 1,113,132
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation receivable	-	-
Inventory	(4,338)	-
Pledges Receivable	(2,566,939)	(512,315)
Prepaid expenses	1,190	272
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	35,979	(49,837)
Net cash provided by operating activities	<u>220,605</u>	<u>551,252</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of buildings, property and equipment	(10,943)	(12,447)
Disposition of buildings, property and equipment	-	-
Depreciation and amortization	46,902	47,252
Sales (Purchases) of investments	214,686	(169,593)
Construction in process for new location	(781,174)	(29,532)
Security Deposits	(8,682)	8,738
Net cash provided by investing activities	<u>(539,211)</u>	<u>(155,582)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal repayments on notes payable	(16,610)	(17,186)
Net cash provided by financing activities	<u>(16,610)</u>	<u>(17,186)</u>
Net cash increase for period	(335,216)	378,484
Cash at beginning of period (NOTE B)	733,085	354,601
Cash at end of period	<u>\$ 397,869</u>	<u>\$ 733,085</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE A - NATURE OF ORGANIZATION:

The Suncoast Humane Society, Inc. (the Organization) was founded in 1971 as the Animal Aid Society of Englewood; became incorporated with the State of Florida on October 12, 1987; and changed their name to Suncoast Humane Society in July 1999. The Organization is a regional animal care center service 450 square miles and the counties of Charlotte, Southern Sarasota, Lee (Boca Grande), DeSoto and Manatee. Over 50,000 individuals and families are served on an annual basis as an open admission shelter.

The Organization's purposes are:

1. Shelter animals, through a bricks-and-mortar shelter, foster families, and Positive Alternatives to Shelter Surrender (PASS).
2. Provide preventative care such as low-cost spay and neuter, vaccinations, and other care to prevent pet overpopulation and illness.
3. Respond to community needs by implementing outreach and education programs and services such as pet therapy, pet food bank, behavior training and creative initiatives to positively influence the human-animal bond.
4. Operate an open admission animal care center that accepts all animals brought in.
5. Provide a lost and found service for community pet owners.
6. Offer humane education to encourage all individuals from children to seniors to bond with animals.
7. Provide low-cost veterinary service for pets belonging to low or fixed-income individuals.
8. Encourage foster care and adoptions to reduce shelter populations.

The Suncoast Humane Society, Inc., provides a comprehensive range of animal aid services. Suncoast operates a humane society, animal shelter, preventive health clinic, thrift stores, satellite adoption centers, a mobile spay and neuter program, community outreach and education programs, pet therapy programs and disaster recovery response efforts during hurricanes and severe weather events.

NOTE B - DATE OF MANAGEMENT'S REVIEW:

In preparing the financial statements, the Organization has evaluated events and transactions through January 11, 2021.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

This summary of significant accounting policies is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization, who is responsible for its integrity and objectivity.

BASIS OF ACCOUNTING:

These financial statements have been prepared using the accrual basis of accounting; and, accordingly, reflect all significant receivables, payables, and other liabilities.

BASIS OF PRESENTATION:

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standard Codification topic 958, *Financial Statements of Not-For-Profit Organizations*. This topic was updated in August 2016 by ASU 2016-14 to clarify reporting for financial periods after December 15, 2017. As a result, the Organization's net assets are classified as (1) with donor restrictions or (2) without donor-imposed restrictions.

USE OF ESTIMATES:

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

Suncoast Humane Society, Inc.
Notes to Financial Statements

December 31, 2019 and 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

CASH AND CASH EQUIVALENTS:

For purposes of the statement of cash flows, the Organization considers highly liquid investments available for re-investment as short-term investments rather than cash on hand.

PROMISES TO GIVE:

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization collected capital donations when acquiring additional land. The Organization initiated a large Shelter Me Capital Campaign in 2018 and began actively seeking donations and pledges. These funds were restricted to construct a new building by donors and are not available for operating purposes. Several multi-year pledges remain unpaid as of December 31, 2019. The Board monitors pledges and does not consider any existing pledges as uncollectible pledges as of December 31, 2019.

INVESTMENTS:

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either by the passage of time or by use) in the reporting period in which the income and gains are recognized.

PROPERTY AND EQUIPMENT:

The Organization capitalizes acquisitions of property and equipment in excess of \$2,500. Lesser amounts are expensed. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used to acquire such property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated or acquired assets must be maintained, the Organization reports expirations of donor restrictions when the donated property is placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from five years for furniture and vehicles to thirty years for buildings.

CONTRIBUTED SERVICES AND SUPPLIES:

The Organization generally pays for services requiring specific expertise and has more than four hundred volunteers who performed a variety of tasks, but there were no contributed services meeting requirements for financial statement recognition so the fair value of these volunteer services are not reflected.

INCOME TAX STATUS:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

NATURAL EXPENSE ALLOCATION:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation according to the economic benefits received by incurring those expenses. The expenses that are allocated include compensation and benefits, which are allocated on the basis of time and effort; occupancy, utilities and depreciation, which are allocated on a percentage based upon square footage; and other costs such as interest expense and supplies, which are allocated by estimated percentage used. Management must review allocations to ensure they are reasonable and consistently applied.

REVENUE RECOGNITION:

The Organization receives revenue from a variety of sources, including: contributions and grants from individual and corporate donors as well as legacy bequests; revenue from outreach programs and special events; revenue from its animal care center from adoption fees, boarding fee, and licensing fees; revenue from veterinary services, medications and spay/neuter program fees; proceeds from sales of donated items at the thrift store locations; and investment income from dividends, interest, and realized and unrealized capital gains.

NOTE D – CONCENTRATION OF CREDIT RISK:

The Organization maintains a majority of its operating and restricted cash accounts in one bank. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured portion of this balance was \$140,999 as of December 31, 2019 and \$483,085 as of December 31, 2018.

NOTE E - RESTRICTIONS ON NET ASSET:

Net assets were received for the following purposes during 2019 and 2018. A portion of these assets were released from restrictions by incurring expenses that satisfied the restricted purposes.

	Net Assets with Donor Restrictions				
	Net Assets with Donor Restrictions	Angel Medical Fund	Capital Campaign	Land for Animal Shelter	Grant for Staff Training
Balance at 01/01/2018	\$ 98,335	\$ 41,952	\$ 25,256	\$ 30,371	\$ 756
2018 Pledges received	512,315		512,315		
2018 Contributions	576,648	4,650	571,998	-	-
Released during 2018	(32,199)	(1,911)	(29,532)	()	(756)
Balance at 12/31/2018	\$1,155,099	\$ 44,691	\$ 1,080,037	\$ 30,371	\$ -
2019 Pledges received	2,566,939		2,566,939		
2019 Contributions	496,065	9,964	486,101		
Released during 2019	(783,644)	(2,470)	(781,174)	(-)	
Balance at 12/31/2019	\$ 3,434,459	\$ 52,185	\$ 3,351,903	\$ 30,371	\$ -

In 1982, Charlotte County sold 1.15 acres of land at 6781 San Casa Blvd., Englewood, FL, to the Organization for the purpose of housing an animal shelter. The deed to 6781 San Casa Blvd had a restriction that the premises must be used for an animal shelter and no other purpose. The deed also indicated use of the land for any other purpose would terminate the conveyance and allow Charlotte County to take possession of the premises.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE F - 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.

	<u>2019</u>	<u>2018</u>
Financial Assets at year-end	\$ 5,220,396	\$ 2,465,465
Less those unavailable for general expenditures:		
Angel Medical Fund	(52,185)	(44,691)
Capital campaign	(3,351,903)	(1,080,037)
Land for animal shelter	<u>(30,371)</u>	<u>(30,371)</u>
Financial Assets available to meet cash needs		
for general expenditures in next year	\$ 1,785,937	\$ 1,310,366

NOTE G - INVENTORY:

An inventory of medicine is purchased for use at the onsite clinic. The Organization also maintains an inventory of donated items that are sold in their thrift store locations. Effective December 15, 2016, accounting standards (ASU-2015-11) requires inventory to be valued at the lower of cost and net realizable value. Therefore, donated items are not included in inventory figures.

NOTE H - PROPERTY, EQUIPMENT AND OTHER FIXED ASSETS:

Property and equipment consists of the following:

<u>Description of Asset</u>	<u>2019</u>	<u>2018</u>
Building	\$ 1,061,875	\$ 1,062,875
Equipment	142,483	133,816
Furniture and fixtures	11,816	12,187
Land and Improvements	431,112	431,112
Mobile Trailer	16,371	16,371
Signs	29,201	29,201
Vehicles	<u>70,747</u>	<u>70,747</u>
Total	\$ 1,763,605	\$ 1,756,309
Less: Accumulated Depreciation	<u>(922,051)</u>	<u>(875,054)</u>
Total Property and Equipment	\$ 841,554	\$ 881,255

NOTE I - MORTGAGE AND LOAN COSTS:

In July 2016, the Organization refinanced their mortgage with a \$310,000 mortgage that matures on June 17, 2023. This mortgage replaced a mortgage from April 2001 that matured in April 2016. The debt is secured by the real estate at their current location of 6781 San Casa Blvd., Englewood, FL.

The interest rate on the mortgage is 4.484% and loan costs are being recognized over the seven year life of the loan at a rate of \$1,032 per year. Loan costs and amortization expenses as of December 31, 2019 and 2018 are as follows:

<u>Description of Asset</u>	<u>2019</u>	<u>2018</u>
Loan Costs as of January 1	\$ 4,645	\$ 5,677
Less: Accumulated Amortization	<u>(1,032)</u>	<u>(1,032)</u>
Loan Costs as of December 31	\$ 3,613	\$ 4,645

On December 20, 2013, the Organization purchased land for new facilities and started the process of designing a new facility. The land has been surveyed; an architect and construction manager have been retained. Plans have been drafted for the new facility.

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE J - INVESTMENT SECURITIES:

The Organization reports investments using FASB Accounting Standard Codification 958, *Accounting for Certain Investments Held by Not-For-Profit Organizations*. Under this topic, investments are valued at their fair market or appraised value on the statement of financial position; unrealized and realized gains and losses are reflected in the statement of activities. The Organization invests primarily in stock and bond mutual funds and cash equivalents held at two institutions. The cash portion of the investment portfolio is reported as short-term investments on the Statement of Financial Position. Investment funds with a fair value of \$23,934 are held at a local community foundation. There are no donor restrictions on community foundation funds. A portion of mutual funds (\$132,205) are restricted as indicated in Note E and included in restricted net assets.

The Organization groups investment assets generally measured at fair value in three levels based on the markets where traded and the reliability of the assumptions used to determine fair value.

Level 1 - Valuation is based on quoted prices in active markets for identical assets that the Organization has the ability to access at the measurement date. Level 1 Assets generally include debt and equity securities that are traded in active exchange markets.

Level 2 - Valuation is based on inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. The valuation may be based on quoted prices in markets that are not active; or other inputs that are observable or can be corroborated.

Level 3 - Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset. Level 3 assets include financial instruments whose value is determined by pricing models, discounted cash flow methodologies or similar techniques, as well as instruments for which determination of fair value requires significant management judgment or estimation.

	Fair Value	Quoted in active markets (Level 1)	Significant Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and Cash Equivalents	\$ 534	\$ 534	\$ -	\$ -
Available for Sale Securities:				
Open End Mutual Funds	309,353	309,353	-	-
Common Trust Funds	<u>27,312</u>	<u>-</u>	<u>-</u>	<u>27,312</u>
Investments as of December 31, 2019	<u>\$ 337,199</u>	<u>\$ 309,887</u>	<u>\$ -</u>	<u>\$ 27,312</u>

Suncoast Humane Society, Inc.
Notes to Financial Statements
December 31, 2019 and 2018

NOTE J - FUNCTIONAL ALLOCATION OF EXPENSES:

The table below presents expenses by both their nature and function as follows:

	Total	Program Activities		Supporting Activities	
		Outreach	Animal Care & Clinic	Management & General	Thrift Stores & Fundraising
Operating Expenses:					
Payroll	1,674,374	16,194	1,164,228	33,926	460,026
Office & occupancy	499,136	1,165	73,236	28,575	396,160
Depreciation & amortization	46,902	471	41,234	4,726	471
Insurance	19,911	675	8,272	3,873	7,091
Services & professional fees	108,461	21,605	69,361	6,827	10,668
Supplies, travel & other expenses	534,374	40,340	317,895	30,181	145,958
Total operating expenses	2,883,158	80,450	1,674,226	108,108	1,020,374
Non-Operating Items:					
Interest	12,676	-0-	-0-	12,676	-0-
Total Expenses	\$ 2,895,834	\$ 80,450	\$ 1,674,226	\$ 120,784	\$ 1,020,374

Fundraising occupancy expenses includes the cost of operating the retail stores. The current shelter and clinic property are owned by Suncoast and do not have the same level of occupancy costs as the leased retail locations.

NOTE K – RECOGNITION OF PLEDGES RECEIVABLES:

In June 2018, accounting standards were updated by *ASU 2018-08 Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. In the new standard, contributions are defined as ‘an unconditional transfer of cash or other assets, as well as unconditional promises to give.’ Pledges were not recognized by the Organization prior to 2018 when a capital campaign was initiated for a new facility. Initial fundraising in 2018 paid for plans and budget development for additional fundraising efforts.

NOTE L – SUBSEQUENT EVENTS:

In March 2020, COVID-19 concerns forced the shelter was forced to restrict public access to its shelter and redesign its outreach programs. Thrift stores were closed for one and one-half months. The Organization adapted by relocating animals from its onsite kennels to foster homes; expanding online adoption and outreach programs; and reducing expenses. Donors continued to provide cash support of the organization.