

Humane Society of Pinellas, Inc.

Financial Statements

December 31, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Humane Society of Pinellas, Inc.

We have audited the accompanying financial statements of Humane Society of Pinellas, Inc., a nonprofit organization, which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and changes in net assets, functional expenses 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 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.

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 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 Pinellas, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Humane Society of Pinellas, Inc.'s 2019 financial statements, and our report dated January 6, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Cannon, Co. LLP". The signature is written in a cursive, flowing style.

Sarasota, Florida
December 13, 2021

Humane Society of Pinellas, Inc.

Statements of Financial Position

December 31, 2020

(with comparative totals for 2019)

ASSETS

	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents	\$ 5,286,626	5,594,111
Investments	5,261,570	3,412,969
Inventory	39,095	46,853
Accounts receivable	8,900	-
Grants receivable	1,769	2,756
Prepaid expenses	21,876	125,544
Total current assets	<u>10,619,836</u>	<u>9,182,233</u>
Property and equipment, net	1,149,482	1,142,193
Deposits	<u>8,473</u>	<u>5,673</u>
Total assets	<u>\$ 11,777,791</u>	<u>10,330,099</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Current portion of long term debt	\$ 10,031	19,986
Accounts payable	93,040	43,595
Accrued salaries and benefits	39,313	93,179
Deferred revenue	93,147	176,763
Total current liabilities	<u>235,531</u>	<u>333,523</u>
Long term debt, net of current portion	<u>51,288</u>	<u>59,694</u>
Total liabilities	<u>286,819</u>	<u>393,217</u>
Net assets		
Without donor restrictions	7,458,472	5,904,382
With donor restrictions	4,032,500	4,032,500
Total net assets	<u>11,490,972</u>	<u>9,936,882</u>
Total liabilities and net assets	<u>\$ 11,777,791</u>	<u>10,330,099</u>

See accompanying notes to financial statements.

Humane Society of Pinellas, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020
(with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and support:				
Bequests	\$ 2,014,958	-	2,014,958	1,279,277
Contributions	705,145	-	705,145	4,777,172
Adoption fees	176,112	-	176,112	218,003
Program fees	618,200	-	618,200	806,685
Special events, net expense \$60,065	33,425	-	33,425	95,145
Grants/contracts	118,756	-	118,756	107,138
PPP loan forgiveness	337,500	-	337,500	-
In-kind contributions	15,152	-	15,152	26,160
Merchandise sales	457,564	-	457,564	373,875
Reimbursements	67,652	-	67,652	-
Investment income, net	57,814	-	57,814	457,008
Gain (loss) on sale of assets	560	-	560	(2,209)
Other income	24,520	-	24,520	62,659
Total revenues, gains and support	4,627,358	-	4,627,358	8,200,913
Expenses:				
Program services	2,457,816	-	2,457,816	2,723,037
Supporting services:				
Management and general	326,541	-	326,541	179,011
Fundraising	288,910	-	288,910	245,975
Total supporting services	615,451	-	615,451	424,986
Total expenses	3,073,268	-	3,073,268	3,148,023
Change in net assets	1,554,090	-	1,554,090	5,052,890
Net assets at beginning of year	5,904,382	4,032,500	9,936,882	4,883,992
Net assets at end of year	\$ 7,458,472	4,032,500	11,490,972	9,936,882

See accompanying notes to financial statements.

Humane Society of Pinellas, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020

(with comparative totals for 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	
Salaries	\$ 1,133,670	188,481	164,097	1,486,248	1,595,458
Fringe benefits	210,023	29,405	25,600	265,028	276,995
Total salaries and related expenses	1,343,693	217,886	189,697	1,751,276	1,872,453
Kennel feed and supplies	68,931	-	-	68,931	74,626
Mailer expense	-	-	34,817	34,817	48,496
Grooming and mobile clinic	169,247	-	-	169,247	137,348
Medical supplies	167,927	-	-	167,927	153,590
Utilities	67,515	17,117	10,460	95,092	94,700
Occupancy	98,373	16,563	10,122	125,057	89,279
Veterinary spay and neuter	6,267	-	-	6,267	6,723
Professional fees	81,935	20,772	12,694	115,401	146,007
Insurance	28,868	7,319	4,472	40,659	35,486
Licenses and permits	46,808	-	350	47,158	60,039
Merchandise sold	202,880	-	-	202,880	187,078
Supplies	8,787	2,228	1,361	12,377	11,101
Travel and training	3,058	698	479	4,235	12,746
Postage and delivery	-	3,940	-	3,940	5,941
Equipment rental and office equipment	2,723	690	422	3,835	4,703
Promotional activities	10,086	2,557	1,563	14,205	1,271
Vehicle expenses	5,669	-	-	5,669	10,088
Interest expense	2,283	579	354	3,215	3,415
Dues and subscriptions	5,674	1,438	879	7,991	2,164
Bank and merchant fees	38,896	9,861	6,026	54,783	54,020
Other	6,510	1,650	1,009	9,169	8,136
Total expenses before depreciation	2,366,129	303,297	274,705	2,944,131	3,019,410
Depreciation	91,687	23,245	14,205	129,137	128,613
Total expenses	\$ 2,457,816	326,541	288,910	3,073,268	3,148,023

See accompanying notes to financial statements.

Humane Society of Pinellas, Inc.

Statements of Cash Flows
Year Ended December 30, 2020
(with comparative total for 2019)

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 1,554,090	5,052,890
Adjustments to reconcile change in net assets to to net cash from operating activities:		
Depreciation	129,137	128,613
(Gain) loss on sale of property and equipment	(560)	2,209
Unrealized gain on investments	(6,508)	(356,621)
Contributions received for new shelter	-	(4,000,000)
(Increase) decrease in:		
Accounts receivable	(8,900)	-
Grants receivable	987	(494)
Inventory	7,758	(12,577)
Prepaid expenses	103,668	(116,082)
Deposits	(2,800)	-
Increase (decrease) in:		
Accounts payable	49,445	(79,804)
Accrued salaries and benefits	(53,866)	5,026
Deferred revenue	(83,616)	(66,536)
Net cash flows from operating activities	1,688,835	556,624
Cash flows from investing activities:		
Purchases of investments	(1,842,093)	(168,519)
Proceeds from sale of investments	-	198,067
Purchases of property and equipment	(135,866)	(10,058)
Net cash flows from investing activities	(1,977,959)	19,490
Cash flows from financing activities:		
Contributions received for new shelter	-	4,000,000
Payments of long-term debt	(18,361)	(47,145)
Net cash from financing activities	(18,361)	3,952,855
Net (decrease) increase in cash and cash equivalents	(307,485)	4,528,969
Beginning cash and cash equivalents	5,594,111	1,065,142
Ending cash and cash equivalents	\$ 5,286,626	5,594,111
Other items:		
Interest paid	\$ 3,215	3,415

See accompanying notes to financial statements.

Humane Society of Pinellas, Inc.

Notes to Financial Statements

December 31, 2020

Note 1 – Nature of Organization:

Humane Society of Pinellas, Inc. (the Organization) is a Florida not for profit organization organized under the laws of the State of Florida and founded on October 8, 1949 to serve the community through the compassionate care of all animals. The Organization operates as an animal shelter providing lifesaving services to the community's sick, injured, abused, and abandoned pets and wildlife. The Organization is funded primarily through contributions from concerned Pinellas County residents and through fees received from the animal adoption program.

Note 2 – Summary of Significant Accounting Policies:

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards *Financial Statements of Not-for-Profit Organizations (FASB Accounting Standards Codification (ASC) 958, Not-for-Profit Entities*. Accordingly, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. A description of the net asset categories follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The Board of Directors has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources are maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization's that is, in substance, unconditional. Promises to give include split-interest amounts (contributions shared by the Organization and other beneficiaries, which may include the donor) and are recorded at present value based on the estimated lives of the donors. Contributions that are restricted by the donor are reported as increases in net assets without 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. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 2 – Summary of Significant Accounting Policies - continued:

Donated Materials and Services

Services that create or enhance non-financial assets or require a specialized skill, are provided by individuals possessing those skills and contributed assets that would need to be purchased, if not provided by contribution, are recognized in the financial statements at the estimated fair market value at the date of receipt. A substantial number of volunteers have donated significant amounts of time to the Organization's program services and to its fund-raising campaigns, however, these donated services are not reflected in the financial statements since these services do not require specialized skills.

Cash and Cash Equivalents

For purposes of the financial statements, the Organization considers all short-term debt instruments, with original maturities of three months or less to be cash equivalents.

Inventory

Inventories consist primarily of informational books, pet related household items and pet supplies. Inventory is valued at the lower of cost or net realizable value as determined using first-in first-out (FIFO) accounting method.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Property and Equipment

Property and equipment in excess of \$1,000 are recorded at cost at the date of acquisition or fair market value at the date of donation. Depreciation of property and equipment is computed principally by the straight-line method over the estimated useful lives of the related assets.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefitted.

Income Taxes

The Organization has been recognized by the Internal Revenue Service as a tax-exempt organization described in Section 501c (3) of the Internal Revenue Code. Income earned in furtherance of the Organization's tax-exempt purpose is exempt from Federal and State income taxes. Accordingly, no provision for income taxes has been included in the accompanying financial statements. The Organization has adopted the provisions of ASC Topic 740 relating to "Accounting for Uncertainty in Income Taxes" and does not believe it has any material income tax exposure related to uncertain tax positions. The Organization's income tax filings are subject to examination by the Internal Revenue Service generally for three years after they were filed. Tax filings generally remain open for examination for three years after filing.

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 2 – Summary of Significant Accounting Policies - continued:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the 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 increases or decreases in net assets during the period. Actual results could differ from those estimates.

Note 3 – Investments:

At December 31, 2020, the fair value of investments were as follows:

U.S. Equity – large cap	\$ 1,299,983
U.S. Equity – mid cap	340,369
U.S. Equity – small cap	201,414
International developed markets	751,545
International emerging markets	321,255
Fixed income	2,206,128
Community foundation	140,876
Total	<u>\$ 5,261,570</u>

The following schedule summarizes investment return for the years ended December 31, 2020:

Realized and unrealized gains and (losses)	\$ 6,508
Interest and dividends	69,797
Investment fees	(18,491)
Total	<u>\$ 57,814</u>

Note 4 – Property and Equipment:

At December 31, 2020, property and equipment consist of the following:

Building and improvements	\$ 1,790,868
Furniture and equipment	371,240
Landscaping and improvements	270,274
Automobile	126,989
Land	8,215
Construction in progress	125,523
Total	<u>2,693,109</u>
Less accumulated depreciation	<u>1,543,627</u>
Total	<u>\$ 1,149,482</u>

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 4 – Property and Equipment - Continued:

Depreciable lives are as follows:

Building and improvements	10-40 years
Furniture and equipment	5-10 years
Landscaping and improvements	10-40 years
Automobile	5 years

Included in transportation equipment are vehicles purchased with state grants. Under the terms of the grants, the grantor retains a reversionary interest on the vehicle for a period of seven years.

Note 5 – Long-Term Debt:

First mortgage-note payable with a variable interest rate that adjusts every five years to 2.75% over LIBOR. The current monthly payment is \$774 including interest (5.00% as of December 31, 2020) and principal, maturing June 2028.

\$ 57,827

Obligations under capital leases for equipment

3,492

Total long term-debt

61,319

Less: current portion of long-term debt

(10,031)

Long-term debt, net of current portion

\$ 51,288

Future principal payments on long-term debt are as follows:

Year ending December 31,		
2021	\$	10,031
2022		6,874
2023		7,226
2024		7,595
2025		7,984
Thereafter		<u>21,609</u>
Total	\$	<u>61,319</u>

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 6 – Net Assets with Donor Restrictions

At December 31, the Organization’s net assets with donor restrictions for a specified purpose include the following:

New shelter	\$ 4,000,000
Clinic expansion	25,000
Fire alarm	<u>7,500</u>
Total	<u>\$ 4,032,500</u>

Note 7 – Credit and Funding Concentrations:

The Organization maintains several deposit accounts with what management believes to be high credit quality financial institutions. The accounts at the financial institutions are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per customer. Cash balances in excess of FDIC limits at December 31, 2020 were approximately \$156,687.

Note 8 – Operating Leases:

The Organization entered into a lease for additional clinic space under an operating lease, which will expire in 2023. Rent expense on this lease for the year ended December 31, 2020 was \$30,280.

The Organization entered into a lease for additional clinic space under an operating lease, which will expire in 2021. Rent expense on this lease for the year ended December 31, 2020 was \$2,762.

Future minimum lease payments required under this non-cancelable operating lease as of December 31, 2020 are as follows:

2021	\$ 49,614
2022	30,280
2023	<u>10,093</u>
	<u>\$ 89,987</u>

Note 9 – Fair Value of Financial Assets and Liabilities:

The Organization adopted the Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification. The Fair Value Measurements and Disclosures Topic provides enhanced guidance for using fair value to measure assets and liabilities and clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the assets or liabilities and establishes a hierarchy that prioritizes the information used to develop those assumptions.

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 9 – Fair Value of Financial Assets and Liabilities - Continued:

The following tables present information about the Organization’s assets and liabilities that are measured at fair value on a recurring and non-recurring basis as of December 31, 2020 and 2019, and indicate that fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

Level 1 – unadjusted quoted prices in active markets for identical assets or liabilities, such as publicly traded equity securities.

Level 2 – inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly. Such inputs may include quoted prices for similar assets, observable inputs other than quoted prices (interest rates, yield curves, etc.) or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs are unobservable data points for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability (for example, hedge funds, private equity and other). The inputs reflect the Organization’s assumptions based on the best information available in the circumstance.

Assets at fair value on a recurring basis at December 31, 2020:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Equity – large cap	\$ 1,299,983	1,299,983	-	-
U.S. Equity – mid cap	340,369	340,369		
U.S. Equity – small cap	201,414	201,414	-	-
International developed markets	751,545	751,545	-	-
International emerging markets	321,255	321,255	-	-
Fixed income	2,206,128	2,206,128	-	-
Community foundation	140,876	-	-	140,876
Total assets at fair value	\$ 5,261,570	5,120,694	-	140,876

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 9 – Fair Value of Financial Assets and Liabilities - Continued:

The following is a reconciliation of the beginning and ending balances for assets measured at fair value on a recurring and non-recurring basis using significant unobservable inputs (Level 3) during the periods ended December 31:

Balance – beginning of year	\$	126,421
Interest and dividends		1,849
Realized and unrealized gains		13,824
Fees		<u>(1,218)</u>
Balance – end of year	\$	<u>140,876</u>

Note 10 – PPP Loan:

In March 2020, the Coronavirus Aid, Relief, and Economic Security Act commonly referred to as the CARES Act was signed into law. One component of the CARES Act was the paycheck protection program (“PPP”) which provides small business, including certain not-for-profit organizations, with the resources needed to maintain their payroll and cover applicable overhead. The PPP is implemented by the Small Business Administration (“SBA”) with support from the Department of the Treasury. The PPP provides funds to pay up to 24 weeks of payroll costs including benefits. Funds can also be used to pay interest on mortgages, rent, and utilities.

The Organization applied for and was accepted to participate in this program. On May 11, 2020, the Organization received funding for \$337,500. The loan is a two-year loan with a maturity date of May 11, 2022. The loan bears an annual interest rate of 1%. The loan shall be payable monthly with the first six monthly payments deferred. It is the Organization’s intent to apply for loan forgiveness under the provisions of Section 1106 of the CARES Act. Loan forgiveness is subject to the sole approval of the SBA. The Organization is eligible for loan forgiveness in an amount equal to payments made during the 24-week period beginning on the Loan date, with the exception that no more than 40% of the amount of loan forgiveness may be for expenses other than payroll expenses. The Organization used all loan proceeds to partially subsidize direct payroll expenses.

The Organization considers this a conditional grant with revenue recognized as the conditions are substantially met. Management believes the significant conditions to be met as qualified expenditures are incurred. As of December 31, 2020, \$337,500 of qualified expenditures have been incurred, accordingly, an equal amount has been recognized as revenue.

Humane Society of Pinellas, Inc.

Notes to Financial Statements – Continued

December 31, 2020

Note 11 – Functionalized Expenses:

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Note 12 – Liquidity:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet, comprise the following:

Cash and cash equivalents	\$	5,286,626
Legacy fund investments		<u>4,843,767</u>
Total assets available		10,130,393
Less restricted amounts		<u>4,032,500</u>
Total assets and credit available	\$	<u><u>6,097,893</u></u>

As part of the organization's liquidity management plan, a policy was established to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Note 13 – Contingencies:

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

Note 14 – Subsequent Events:

As of the date of this report, the Organization is finalizing terms of a construction contract for a new animal shelter for approximately \$5.2 million.

Other subsequent events have been evaluated through December 13, 2021, which is the date the financial statements were available to be issued.