

SOUTH FLORIDA S.P.C.A. INC.
FINANCIAL STATEMENTS,
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
South Florida S.P.C.A. Inc.

We have audited the accompanying financial statements of South Florida S.P.C.A. Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 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 from 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 South Florida S.P.C.A. Inc., as of June 30, 2018, 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.

A handwritten signature in blue ink that reads "Veedy-DeArmas Turzillo". The signature is written in a cursive style with a blue highlight effect.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
November 26, 2018

SOUTH FLORIDA S.P.C.A. INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018

ASSETS

ASSETS

Cash and cash equivalents, including temporarily restricted of \$93,000	\$	333,135
Contract receivable		19,944
Prepaid expenses		8,230
Property and equipment, net		803,247
TOTAL ASSETS	\$	<u>1,164,556</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$	39,909
Mortgage note payable		355,943
TOTAL LIABILITIES		<u>395,852</u>

NET ASSETS

Unrestricted		725,704
Temporarily restricted		43,000
TOTAL NET ASSETS		<u>768,704</u>

TOTAL LIABILITIES AND NET ASSETS	\$	<u>1,164,556</u>
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The accompanying notes are an integral part of these financial statements.

SOUTH FLORIDA S.P.C.A. INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Totals
SUPPORT AND REVENUE			
Foundation and trust grants	\$ 55,014	\$ 126,500	\$ 181,514
Contributions	440,679	20,185	460,864
County reimbursement contract	159,178	-	159,178
Miscellaneous	8,055	-	8,055
Special events	810	-	810
Net assets released from restrictions	153,685	(153,685)	-
TOTAL SUPPORT AND REVENUE	<u>817,421</u>	<u>(7,000)</u>	<u>810,421</u>
OPERATING EXPENSES			
Program Services:			
Animal health services	470,721	-	470,721
Animal care facilities	117,680	-	117,680
TOTAL PROGRAM SERVICES	<u>588,401</u>	<u>-</u>	<u>588,401</u>
Supporting Services:			
General and administrative	280,402	-	280,402
Fundraising	2,339	-	2,339
TOTAL SUPPORTING SERVICES	<u>282,741</u>	<u>-</u>	<u>282,741</u>
TOTAL OPERATING EXPENSES	<u>871,142</u>	<u>-</u>	<u>871,142</u>
CHANGE IN NET ASSETS	(53,721)	(7,000)	(60,721)
NET ASSETS AT BEGINNING OF YEAR	<u>779,425</u>	<u>50,000</u>	<u>829,425</u>
NET ASSETS AT END OF YEAR	<u>\$ 725,704</u>	<u>\$ 43,000</u>	<u>\$ 768,704</u>

The accompanying notes are an integral part of these financial statements.

SOUTH FLORIDA S.P.C.A. INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (60,721)
Adjustments to reconcile changes in net assets to net cash used in by operating activities	
Depreciation	37,478
Changes in operating assets and liabilities:	
Contract receivable	9,372
Prepaid expenses	1,006
Accounts payable and accrued expenses	8,861
NET CASH USED IN OPERATING ACTIVITIES	<u>(4,004)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property and equipment	<u>(52,851)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(52,851)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Principal payments on mortgage note payable	<u>(20,405)</u>
NET CASH USED IN FINANCING ACTIVITIES	<u>(20,405)</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (77,260)

CASH AND CASH EQUIVALENTS - beginning of year 410,395

CASH AND CASH EQUIVALENTS - end of year \$ 333,135

SUPPLEMENTAL DISCLOSURE

Interest paid	<u>\$ 13,855</u>
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The accompanying notes are an integral part of these financial statements.

SOUTH FLORIDA S.P.C.A. INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Florida S.P.C.A. (Society for the Prevention of Cruelty to Animals) (the "Society") is a Florida not-for-profit organization for the prevention and suppressions of cruelty to animals. The Society strives to assure that the interests, physical needs, and well being of horses and other livestock, are fully, effectively and humanely guaranteed by an aware and caring society. The Society provides animal health services including response and rescue, veterinary care and feeding services, amongst other for the sick or injured. The Society strives to educate the public on what is adequate care and humane treatment of horses and other livestock. The Society owns a ranch located in Homestead, Florida where horses and other livestock are cared for upon rescue until adoption.

Basis of Accounting

The Society follows standards for accounting and financial reporting prescribed for not-for-profit organizations. The financial statements of the Society have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

The financial statements of the Society have been prepared under the guidance of Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958, *Not-for-Profit Entities*. Under (ASC) No. 958, the Society reports its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, the Society's net assets and changes therein are classified and reported as follows if applicable:

Unrestricted net assets - Net assets that are not subject to donor imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may, or will be, met by either actions of the Society and/or passage of time. As of June 30, 2018, temporarily restricted net assets totaled \$43,000.

Permanently restricted net assets - Net assets permanently restricted by donor-imposed stipulations that may be maintained in perpetuity.

Cash and Cash Equivalents

The Society considers cash and all highly liquid investments available for current use with an original maturity of three months or less to be cash equivalents. At times, balances may exceed federally insured limits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. It is reasonably possible that these estimates will change in the near future. Accordingly, actual results could differ from those estimates.

Revenue Recognition

Membership Fees - Membership donations are recognized as income at the time of receipt.

SOUTH FLORIDA S.P.C.A. INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Private Grants and Reimbursement Contracts - Private grants and reimbursement contract revenues received are recorded as income in the period designated by the grantor or agency or as earned by the Society, generally by incurring program related costs. Any amounts relating to subsequent fiscal periods are recorded as deferred revenue and amortized to income over the remaining grant period or as earned by the Society by fulfillment of expenditure provisions according to the grant and contract agreement.

Contributions - The Society accounts for contributions in accordance with the guidance of Financial Accounting Standards Board in its Accounting Standard Codification (ASC) No. 958, *Not-for-Profit Entities, Accounting for Contributions Received and Contributions Made*. Contributions can be comprised of the following:

Donations

Donations are recorded as revenue in the period they are received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions 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 transferred to unrestricted net assets.

Promises to Give

Revenue is recognized when a donor makes a “promise to give” to the Society that is, in substance, unconditional. Long-term unconditional promises to give that are made in writing are classified as temporarily restricted until payment is received. When payment is received such payment is shown as net assets released from restrictions net of any new unconditional promises to give. The Society uses the allowance method to determine the estimated uncollectible promises receivable that are doubtful of collection. The Society had no promises to give recorded at June 30, 2018.

Goods and Services

Contributed goods are recorded as contributions at their estimated fair value at date of receipt. Contributed services are recognized as contributions at their estimated fair value, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Society. Volunteers also provided services through-out the year that are not recognized as contributions in the financial statements since these are not susceptible to objective measurement or valuation. The Society has no contributed goods and services for the year ended June 30, 2018.

Fair Value Measurements

Accounting Standard Codification (ASC) No. 820, *Fair Value Measurement and Disclosures*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of observable inputs other than quoted prices for identical assets; and Level 3 inputs are significant unobservable inputs and have the lowest priority. The Society uses appropriate valuation techniques based on the available inputs that are significant unobservable inputs to measure the fair value.

SOUTH FLORIDA S.P.C.A. INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

At June 30, 2018 the carrying amount of cash and cash equivalents, contract receivable and accounts payable and accrued expenses approximates fair value, net of transaction costs incurred. Mortgage and note payables approximate fair value, based on current rates available for financing with similar maturities.

Property and Equipment

Property and equipment, used in animal care facilities, are recorded at cost if purchased or if donated at the fair value at the date of donation less an allowance for depreciation. Normal repairs and maintenance are expensed as incurred whereas significant improvements, which materially increase values or extend useful lives, are capitalized and depreciated over the remaining estimated useful lives of the related assets. Depreciation is provided using the straight-line methods over the estimated useful lives of the related assets. The estimated useful life of the building on the ranch property is 39 years, building improvements is 20 years and vehicles and equipment range in useful lives ranging from 3 to 5 years. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

The Society reviews assets for impairment whenever events or circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset.

Functional Expense Allocation

The costs of providing various programs and activities are charged directly to each program for direct expenses incurred. Payroll expenses are allocated based on hours of time charged to the programs.

Income Taxes

The Society is a not-for-profit organization exempt from taxes under Internal Revenue Code Section 501(c)(3) except that unrelated business income, if any, is taxable. The Society had no unrelated business income during the year ended June 30, 2018.

As of June 30, 2018, the Society has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Society is subject to routine audits by taxing jurisdictions; however, there are currently no audits for a tax period in progress. Management believes it is no longer subject to examination for years prior to 2015.

Subsequent Events

Subsequent events have been evaluated through November 26, 2018, the date which the financial statements were available to be issued.

SOUTH FLORIDA S.P.C.A. INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 2 - PROPERTY AND EQUIPMENT

A summary of property and equipment and their estimated useful lives as of June 30, 2018 is as follow:

<u>Classification</u>	<u>Estimated Useful Life (in years)</u>	
Land	-	\$ 493,294
Building	39	238,000
Building Improvements	20	47,059
Vehicle	5	47,288
Furniture and Equipment	3-5	<u>158,136</u>
		983,777
Less: accumulated depreciation		<u>(180,530)</u>
		<u>\$ 803,247</u>

Depreciation expense was \$37,478 for the year ended June 30, 2018

NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2018 temporarily restricted net assets are composed of amounts received by the Society whose use was limited by either the passage of time or stipulations set forth by the donor. As of June 30, 2018, temporarily restricted net assets consisted of the following:

Quarantine facility	\$ 40,000
Golf carts	<u>3,000</u>
	<u>\$ 43,000</u>

These funds are held as follows:

SPCA

Cash	<u>\$ 43,000</u>
	<u>\$ 43,000</u>

NOTE 4 - MORTGAGE NOTE PAYABLE

On October 1, 2012 the Society borrowed \$450,000 in the form of a mortgage note payable for the acquisition of a ranch in Homestead, Florida. The mortgage has a fixed interest rate of 3.75% with a ten year maturity of October 1, 2022. There are monthly payments of principal and interest of \$2,668 until maturity, at which time the remaining principal balance is due. The mortgage note payable is secured by the ranch property. The outstanding balance is \$355,943 as of June 30, 2018. Interest expense for the year ended June 30, 2018 was \$13,855 and is included in Supporting Services General and Administrative on the Statement of Activities.

SOUTH FLORIDA S.P.C.A. INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

NOTE 4 - MORTGAGE NOTE PAYABLE (Continued)

The future minimum mortgage principal payments are approximately as follows:

<u>Year Ended June 30,</u>	
2019	\$ 19,045
2020	19,971
2021	20,525
2022	21,309
Thereafter	<u>275,093</u>
	<u>\$ 355,943</u>

NOTE 5 - CONCENTRATIONS

County Reimbursement Contract

The Society has an agreement with Miami-Dade County Animal Services Department of Florida for the reimbursement of agreed upon expenses for the transport, impoundment and care of large animal's which are victims of cruelty and neglect in Miami-Dade County. This includes reimbursement for animal health related services. The agreement is for up to \$175,000, payable upon submission of an invoice with applicable documentation on a monthly basis. The contract period is October 1, 2017 to September 30, 2018. The receivable from this contract is \$19,944 as of June 30, 2018 and was collected subsequent to year end. The contract revenue amounted to \$116,428 and represents 14% of total support and revenue for the year ended June 30, 2018. The contract expires on September 30 of each year and is historically automatically renewed for the subsequent annual period.

NOTE 6 - CONTINGENCIES

Litigation

The Society is subject to claims and lawsuits in the ordinary course of its business. In the opinion of management, the Society had adequate legal defenses and/or adequate indemnification or insurance coverage for such matters. Accordingly, management believes that such matters will not, in the aggregate, have a material adverse impact upon the Societies financial position, results of future operations or cash flows.

Grant Contingency

Financial awards from local governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Society for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined. However, management is of the opinion that no material liability will result from such audits.