

**THE HUMANE SOCIETY OF GREATER
JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION,
CLINIC & RANCH**

**FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2020 AND 2019**

**THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Humane Society of Greater Jupiter-Tequesta, Inc.
d/b/a Furry Friends Adoption, Clinic & Ranch
Jupiter, Florida

We have audited the accompanying financial statements of The Humane Society of Greater Jupiter-Tequesta, Inc., d/b/a Furry Friends Adoption, Clinic & Ranch (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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 The Humane Society of Greater Jupiter-Tequesta, Inc., d/b/a Furry Friends Adoption, Clinic & Ranch as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Divine, Blalock, Martin & Sellari, LLC

DIVINE, BLALOCK, MARTIN & SELLARI, LLC
West Palm Beach, Florida
September 22, 2021

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
Current assets		
Cash and cash equivalents	\$ 843,194	\$ 326,508
Certificate of deposit	-	409,412
Restricted cash - building fund	-	42,896
Accounts receivable	9,379	4,379
Estate gift receivable	3,000,033	750,033
Pledges receivable	54,000	24,000
Contributed inventory - clinic & adoption	40,000	40,000
Contributed inventory - thrift store contributed goods	30,000	30,000
Employee advance	3,251	250
Total current assets	<u>3,979,857</u>	<u>1,627,478</u>
Fixed assets		
Property and equipment, net	9,581,318	8,805,937
Less: accumulated depreciation	<u>(1,161,362)</u>	<u>(975,302)</u>
Net property and equipment	8,419,956	7,830,635
Other assets		
Pledges receivable - long term	-	24,000
Security deposit	6,715	17,215
Total other assets	<u>6,715</u>	<u>41,215</u>
Total assets	<u>\$ 12,406,528</u>	<u>\$ 9,499,328</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 167,510	\$ 303,620
Accrued expenses	2,298	2,106
Current portion of of long-term debt	121,717	-
Total current liabilities	<u>291,525</u>	<u>305,726</u>
Long term liabilities		
Construction line of credit	-	2,552,920
Note Payable	2,942,044	-
PPP loan payable	337,500	-
EIDL loan payable	149,900	-
Loan payable	144,795	175,741
Total liabilities	3,865,764	3,034,387
Net assets		
Without donor restrictions	8,244,234	6,300,454
With donor restrictions	296,530	164,487
Total net assets	<u>8,540,764</u>	<u>6,464,941</u>
Total liabilities and net assets	<u>\$ 12,406,528</u>	<u>\$ 9,499,328</u>

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

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support			
Contributions	\$ 638,009	\$ 690,678	\$ 1,328,687
Wills and estates	3,016,651	-	3,016,651
In-kind contributions	13,815	-	13,815
Events	216,662	-	216,662
	<u>3,885,137</u>	<u>690,678</u>	<u>4,575,815</u>
Revenue			
Clinic service fees	1,446,237	-	1,446,237
Contributed goods and thrift store sales	319,562	-	319,562
Adoption service fees	152,204	-	152,204
Interest income	2,449	-	2,449
Miscellaneous income	17,798	-	17,798
Net assets released from restrictions	558,635	(558,635)	-
	<u>2,496,885</u>	<u>(558,635)</u>	<u>1,938,250</u>
Total Revenue and support	6,382,022	132,043	6,514,065
Expenses:			
Program services			
Clinic services	1,998,787	-	1,998,787
Thrift store expenses	282,794	-	282,794
Adoption / ranch services	1,600,225	-	1,600,225
	<u>3,881,806</u>	<u>-</u>	<u>3,881,806</u>
Supporting services			
Fundraising and events	431,842	-	431,842
Management and general	124,594	-	124,594
	<u>556,436</u>	<u>-</u>	<u>556,436</u>
Total Expenses	4,438,242	-	4,438,242
Change in net assets	1,943,780	132,043	2,075,823
Net Assets, Beginning of Year	6,300,454	164,487	6,464,941
Net Assets, End of Year	<u>\$ 8,244,234</u>	<u>\$ 296,530</u>	<u>\$ 8,540,764</u>

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

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:			
Support			
Contributions	\$ 639,397	\$ 866,162	\$ 1,505,559
Wills and estates	1,215,395	-	1,215,395
In-kind contributions	50,834	-	50,834
Events	423,786	-	423,786
	<u>2,329,412</u>	<u>866,162</u>	<u>3,195,574</u>
Revenue			
Clinic service fees	1,800,950	-	1,800,950
Contributed goods and thrift store sales	358,956	-	358,956
Adoption service fees	177,336	-	177,336
Interest income	16,529	-	16,529
Miscellaneous income	7,995	-	7,995
Net assets released from restrictions	738,311	(738,311)	-
	<u>3,100,077</u>	<u>(738,311)</u>	<u>2,361,766</u>
Total Revenue and support	5,429,489	127,851	5,557,340
Expenses:			
Program services			
Clinic services	1,556,540	-	1,556,540
Thrift store expenses	212,528	-	212,528
Adoption / ranch services	1,478,480	-	1,478,480
	<u>3,247,548</u>	<u>-</u>	<u>3,247,548</u>
Supporting services			
Fundraising and events	489,436	-	489,436
Management and general	281,790	-	281,790
	<u>771,226</u>	<u>-</u>	<u>771,226</u>
Total Expenses	4,018,774	-	4,018,774
Change in net assets	1,410,715	127,851	1,538,566
Net Assets, Beginning of Year	4,889,739	36,636	4,926,375
Net Assets, End of Year	<u>\$ 6,300,454</u>	<u>\$ 164,487</u>	<u>\$ 6,464,941</u>

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

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<i>Program Services</i>						
	Clinic	Thrift Store	Adoption / Ranch	Total Program	Fundraising	Management & General	Total
Animal care supplies & food	\$ 28,966	\$ -	\$ 53,220	\$ 82,186	\$ -	\$ -	\$ 82,186
Advertising & promotion	1,745	-	1,315	3,060	81,119	-	84,179
Auto expense	-	4,523	21,991	26,514	363	383	27,260
Bank fees and credit card fees	18,512	6,139	8,970	33,621	14,335	5,143	53,099
Clinic and medical expenses	597,109	-	-	597,109	-	-	597,109
Computer & internet	20,324	1,188	12,771	34,283	6,687	7,258	48,228
Contracted services - vets	163,139	-	37,048	200,187	-	-	200,187
Contracted services - other	11,823	3,363	10,988	26,174	10,552	5,814	42,540
Depreciation expense	186,060	-	-	186,060	-	-	186,060
Dues and subscriptions	689	30	60	779	1,015	1,075	2,869
Equipment lease & maintenance	14,646	74	7,474	22,194	172	1,983	24,349
Fundraising events	-	-	-	-	120,319	-	120,319
Insurance	63,506	9,236	82,270	155,012	6,265	7,305	168,582
Interest	69,299	-	20,584	89,883	1,960	1,470	93,313
License & fees	-	-	-	-	-	-	-
Meetings & events	540	-	-	540	236	453	1,229
Miscellaneous	5,257	1,005	6,080	12,342	861	31,070	44,273
Outside medical services	6,923	-	73,899	80,822	-	-	80,822
Office expense	3,357	9	2,202	5,568	102	3,291	8,961
Payroll & payroll taxes	685,244	135,912	939,838	1,760,994	157,269	37,691	1,955,954
Postage & printing	1,358	-	242	1,600	8,770	1,427	11,797
Professional fees & settlements	57,754	4,844	27,989	90,587	15,721	8,906	115,214
Property tax	1,401	-	1,154	2,555	110	82	2,747
Rent	745	96,000	208	96,953	20	15	96,988
Repairs and maintenance	3,166	3,007	34,832	41,005	215	342	41,562
Service dog training	-	-	163,847	163,847	-	-	163,847
Storage	5,646	1,567	5,764	12,977	627	2,507	16,111
Supplies	13,048	490	21,055	34,593	1,906	3,432	39,931
Telephone	5,746	1,575	5,978	13,299	641	2,548	16,488
Travel	-	-	-	-	-	130	130
Utilities	32,784	13,832	60,446	107,062	2,577	2,269	111,908
	<u>\$ 1,998,787</u>	<u>\$ 282,794</u>	<u>\$ 1,600,225</u>	<u>\$ 3,881,806</u>	<u>\$ 431,842</u>	<u>\$ 124,594</u>	<u>\$ 4,438,242</u>

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

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<i>Program Services</i>						Total
	Clinic	Thrift Store	Adoption / Ranch	Total Program	Fundraising	Management & General	
Animal care supplies & food	\$ 17,348	\$ 153	\$ 44,053	\$ 61,554	\$ -	\$ -	\$ 61,554
Advertising & promotion	-	-	3,917	3,917	92,805	643	97,365
Auto expense	-	7,866	30,275	38,141	4,437	122	42,700
Bank fees and credit card fees	24,279	5,795	2,173	32,247	23,652	1,414	57,313
Clinic and medical expenses	478,594	-	-	478,594	-	-	478,594
Computer & internet	3,969	916	-	4,885	3,833	734	9,452
Contracted services - vets	140,185	-	5,761	145,946	-	-	145,946
Contracted services - other	5,361	1,626	7,302	14,289	24,002	2,488	40,779
Depreciation expense	-	-	-	-	-	62,879	62,879
Dues and subscriptions	2,703	144	210	3,057	1,456	839	5,352
Equipment lease & maintenance	4,846	128	5,484	10,458	214	4,404	15,076
Fundraising events	-	-	-	-	178,251	-	178,251
Insurance	61,054	14,627	79,443	155,124	4,998	34,067	194,189
Interest	13,957	-	10,336	24,293	-	9,825	34,118
License & fees	1,736	-	1,990	3,726	-	1,736	5,462
Meetings & events	9	3,762	6,592	10,363	874	151	11,388
Miscellaneous	4,310	3,232	5,875	13,417	1,823	3,202	18,442
Outside medical services	28,676	-	81,557	110,233	-	-	110,233
Office expense	2,977	300	2,348	5,625	68	565	6,258
Payroll & payroll taxes	594,975	63,049	904,116	1,562,140	127,856	122,928	1,812,924
Postage & printing	2,264	139	963	3,366	4,099	514	7,979
Professional fees & services	2,444	2,444	5,529	10,417	7,272	4,944	22,633
Property tax	4,583	-	4,583	9,166	-	4,583	13,749
Rent	111,129	96,000	80,564	287,693	7,641	6,060	301,394
Repairs and maintenance	9,486	1,780	16,368	27,634	-	2,311	29,945
Service dog training	-	-	111,567	111,567	753	-	112,320
Storage	5,613	2,180	5,359	13,152	441	3,375	16,968
Supplies	7,990	2,147	31,917	42,054	1,828	2,839	46,721
Telephone	4,699	1,122	3,992	9,813	679	1,505	11,997
Travel	390	-	1,059	1,449	-	81	1,530
Utilities	22,963	5,118	25,147	53,228	2,454	9,581	65,263
	\$ 1,556,540	\$ 212,528	\$ 1,478,480	\$ 3,247,548	\$ 489,436	\$ 281,790	\$ 4,018,774

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

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
(Decrease) Increase in net assets	\$ 2,075,823	\$ 1,538,566
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	186,060	62,879
Changes in operating non-cash assets & liabilities:		
Accounts receivable	(5,000)	(4,379)
Estate gift receivable	(2,250,000)	(750,033)
Pledges receivable	(6,000)	(48,000)
Inventory	-	(60,000)
Employee advances	(3,001)	(250)
Other assets	10,500	258
Accounts payable	(136,110)	205,874
Accrued expenses	192	2,106
Net cash (used) provided by operating activities	<u>(127,536)</u>	<u>947,021</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(775,381)	(4,511,596)
Net cash (used) provided by investing activities	<u>(775,381)</u>	<u>(4,511,596)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	510,841	2,552,920
Proceeds from PPP loan	337,500	-
Proceeds from EIDL loan	149,900	-
Repayment to long-term debt	(30,946)	(34,603)
Net cash (used) provided by financing activities	<u>967,295</u>	<u>2,518,317</u>
(Decrease) Increase in cash and cash equivalents	64,378	(1,046,258)
Cash and cash equivalents, beginning of year	778,816	1,825,074
Cash and cash equivalents, end of year	<u>\$ 843,194</u>	<u>\$ 778,816</u>
Supplemental disclosures:		
Cash summary		
Cash and cash equivalents	\$ 843,194	\$ 326,508
Certificate of deposit	-	409,412
Restricted cash - building fund	-	42,896
	<u>\$ 843,194</u>	<u>\$ 778,816</u>

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

**THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Humane Society of Greater Jupiter-Tequesta, Inc. d/b/a Furry Friends Adoption, Clinic & Ranch (the Organization) is an independent not-for-profit Organization that provides complete care for abused and abandoned animals, from rescue to medical care, rehabilitation, and placement in a forever home across Martin and Palm Beach Counties.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting and in accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

Basis of presentation

The Organization records unconditional promises to give (pledges) as contributions at fair value at the date the promises are received or made and distinguishes between promises received for each net asset category in accordance with donor restrictions, if any.

Net assets and revenue, expenses, gains and losses are classified as net assets with donor restrictions and net assets without donor restrictions based on the existence or absence, respectively, of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be used for any purpose designated by the Organization's Board of Directors.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization or the passage of time and net assets subject to donor-imposed stipulations to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the earnings on related investments for general or specific purposes.

Cash and cash equivalents

Cash and cash equivalents consist of non-interest-bearing demand deposit accounts and interest-bearing money market accounts. Cash equivalents are short term investments with a maturity date of three months or less from the date of purchase.

Certificate of deposit

Certificates of deposit are federally insured and carried at amortized cost, as the Organization has both the intent and ability to hold them until maturity. The bank issued certificate of deposit is insured by the FDIC up to \$250,000. At maturity, the Organization will receive the principal plus a supplemental payment or minimum interest, if any, that is based on the performance of an underlying index or market measure.

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted cash

Restricted Cash Restricted cash is maintained in separate bank accounts, in accordance with donor stipulations. These funds have been restricted by donors for future building expenses.

Concentrations of credit risk

The concentration of credit risk associated with cash and cash equivalents is considered low due to the credit quality of the financial institutions and the immediate availability of these financial instruments.

Promises to Give

Contributions are recognized when the donor makes an unconditional promise to give to the Organization. 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 contributions are recognized. All other donor-restricted contributions are reported as increases 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.

Estate gift receivable

Estate gifts that are due and not received as of the financial statement date are accrued as unconditional promises to give when probate court has declared the will valid. As of December 31, 2020 and 2019, the Organization had estate gift receivables of \$3,000,033 and \$750,033, respectively.

Inventory – Thrift Store Contributed Goods

Contributed goods inventory consists of donor contributed goods, which are valued according to an estimate of fair value at the time of the donation. This estimate considers that fair value is that portion of retail value which exceeds Furry Friends cost of processing the merchandise for sale. Furry friends follows the practice of measuring contributed goods inventory based on an accepted model of excess value over costs of processing. Contributed goods received during the year are reported in the Statement of Activities in contributed goods and thrift store sales.

Inventory – Clinic & Adoption

Inventory consists of medical supplies, prescriptions, dog food and general clinic/adoption supplies.

Impairment of Long-Lived Assets

The Organization reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. For assets held and used, if the undiscounted cash flows estimated to be generated by those assets are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the asset's carrying value over its estimated fair value. No impairment loss has been recognized by the Organization for the years ended December 31, 2020 and 2019.

THE HUMANE SOCIETY OF GREATER JUPITER-TEQUESTA, INC.
D/B/A FURRY FRIENDS ADOPTION, CLINIC & RANCH
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Building and Equipment

Land, Building and equipment are recorded at cost or fair market value at the date of the gift in the case of donated property and equipment. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property and equipment, the appropriate property and equipment accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

Depreciation of property and equipment is recorded using straight-line method over estimated useful lives of the related assets, which range as follows:

Building and improvements	39 years
Furniture & Equipment	7 years
Vehicles	5 years

In-Kind Contributions and Services

Contributed goods and store sales consists of the sale of donor contributed goods. Support is recognized upon sale, as an allocation of the overall retail price received. In-kind materials and services are reflected upon receipt and are recorded at cost or estimated cost, where practicable, as expenses for program services. The contributions of services are recognized if the services received create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Revenue recognition

The Organization recognizes contributions when received or when a donor or grantor makes an unconditional promise to give. Donor pledges are considered an intent to give rather than an unconditional promise to give. Accordingly, pledges are not recognized as support at the time of the pledge. Donations that contain donor stipulations that limit the use of an asset for specific purposes or designates the support for future periods, are reported as an increase in net assets with donor restrictions and net assets without donor restrictions depending upon the nature of the restriction. When a donor restriction expires, that is, when a stipulation time restriction ends or a purpose restriction is accomplished; net assets with donor restrictions are reclassified and reported in the statements of activities as net assets released from restrictions. Donor contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Contributions of long-lived assets (e.g., property and equipment) or contributions that the donor requires to be used to acquire long-lived assets are reported as net assets with donor restrictions. Furry Friends reflects the expiration of the donor-imposed restriction when long-lived assets have been placed in service, at which time net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Program Services

Clinic - Animal clinic that offers affordable high-quality healthcare for pets performed by skilled professionals with a passion for giving all animals a happy and healthy life.

Thrift store – The store has a variety of donated items for sale, and every dollar contributes to housing and caring for countless rescued animals.

Adoption – Animal adoption center where rescued animals are cared for, spayed or neutered, and hopefully placed in permanent homes.

Functional classification of expenses

In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting activities. Program services are the activities that result in services being provided to members that fulfill the purposes or mission for which the Organization exists. Supporting activities are all activities of the Organization's other than program services and are included in the financial statements as management and general expenses and fundraising expenses.

Expenses are recorded in the period in which the obligation is incurred. Expenses are charges directly to program services or support activities based on specific identification, when possible. Indirect expenses are allocated among the programs and support categories based on the level of benefit received as measured by personnel time and facility usage associated with the activity or function.

Advertising

The Organization's advertising, marketing and promotion is expensed as incurred. Such costs totaled \$84,179 and \$97,365 during the years ended December 31, 2020 and 2019, respectively.

Use of Estimates

The preparation of financial statements in conformity with FASB ASC 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes

The Organization is a tax-exempt, not-for-profit corporation under Internal Revenue Code (IRC) Section 501(c) (3). Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Internal Revenue Service notified Furry Friends by letter dated February 23, 2015, that its governing documents and plan of operations were designed in accordance with section 501(c)(3) of the Internal Revenue Code (the Code)

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Organization and recognize a tax liability if Furry Friends has taken an uncertain position that more than likely would not be substantiated upon examination by the tax authorities. Management monitors the on-going financial and functional activities undertaken by the Organization for compliance with its exempt status requirements and has concluded that for the tax reporting period ended December 31, 2020, there were no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Organization is no longer subject to income tax examinations for years prior to 2017.

Recently Adopted Pronouncements

The Financial Accounting Standards Board (FASB) issued new guidance that created:

- Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.
- ASU 2018-08, *Not-for-profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* will be effective for the Organization for the year ending December 31, 2021. ASU 2018-08 clarifies the guidance for evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional.

Analysis of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

Recent Accounting Pronouncements

The FASB has issued the following accounting standards updates that may affect the Organization in future years. Management is evaluating the effects, if any, of the following updates:

- ASU 2016-02, *leases*, will be effective for the Organization for the year ending December 31, 2021 and must be adopted using a modified retrospective method. ASU 2016-02 generally requires lessees to recognize assets and liabilities arising from leases on the statements of financial position.

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NOTE 2 - LIQUIDITY

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general expenditures within one year of the statement of financial position date.

	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 778,816	\$ 326,508
Certificate of deposit	-	409,412
Restricted cash - building fund	-	42,896
Accounts, Estate and Pledges receivables	3,063,412	802,412
Total Financial assets, at the year end	3,842,228	1,581,228
Less those unavailable for general expenditures within one year due to:		
Donor restricted	296,530	164,457
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,545,698	\$ 1,416,771

NOTE 3 – PLEDGES RECEIVABLE

Pledges are recorded as receivables and support when received or promised. These pledges are considered unconditional promises to give which is a promise to give that depends only on the passage of time or demand by the promise for performance. Pledges receivable as of December 31, 2020 and 2019 were \$54,000 and \$48,000, respectively.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31, 2020:

	2020	2019
Land	\$ 1,997,141	\$ 1,997,141
Building	5,482,793	4,938,342
Improvements	1,431,666	1,242,270
Equipment, Furniture & Fixtures	588,386	566,852
Vehicles	81,332	61,332
	9,581,318	8,805,937
Less: accumulated depreciation	(1,161,362)	(975,302)
Property and equipment, net	\$ 8,419,956	\$ 7,830,635

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NOTE 5 – LONG TERM DEBT

The Organization obtained a construction line of credit with PNC Bank in the amount of \$3,200,000 during October 2018. The credit line bears interest at prime and accrues on the outstanding unpaid principal balance. Interest only payments are due and payable on the same day each month, commencing November 26, 2018 until the conversion date (September 26, 2020). During 2020 the outstanding balance of \$3,073,712 was termed out on a 20-year amortization schedule. Payments of principal together with interest (2.632% nominal annual rate) will be due and payable in consecutive monthly installments until maturity which is the tenth anniversary of the conversion date (September 26, 2029), when the remaining balance will be due.

On May 18, 2020, the Company received a loan of \$337,500 from a financial institution under the Paycheck Protection Program (“PPP”) administered by the Small Business Administration (“SBA”) pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”). The note payable has an interest rate of 1% with monthly principal and interest payments in November 2020 and maturing on May 18, 2022. The PPP loan and accrued interest may be forgivable provided the loan proceeds are used for eligible expenditures under the Act, including payroll, benefits, rent and utilities, and the Company meets other requirements of the Act for loan forgiveness. On June 5, 2020, the Paycheck Protection Flexibility Act of 2020, P.L. 116-142, extended the deferral period for loan payments to either (1) the date that SBA remits the borrower’s loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the borrower’s loan forgiveness covered period ends. The Company has chosen to present the PPP loan balance of \$337,500 as non-current at December 31, 2020. On March 23, 2021, the Company received notification from the SBA that the Company’s forgiveness application had been approved for the full amount of the loan.

Also, in May 2020 the Company received an Economic Injury Disaster Loan through the SBA pursuant to the Coronavirus Air, Relief and Economic Security Act (“Cares Act”) of \$150,000. The note payable has interest of 2.75%, which will accrue from the date received. Payments will be made in 360 monthly principal and interest payments in the amount of \$641 beginning 12 months form the date of the note.

The Organization has received loans over the years from a donor for cash flow purposes. The donor owns a farm with several animals, many of which were adopted from Furry Friends. Any veterinary services or treatment for these animals is performed by the clinic and reduces the loan balance and any additional donations increase the balance. The loan is due on demand and has no repayment terms. The balance as of December 31, 2020 and 2019 was \$144,795 and \$175,741, respectively.

Long Term Debt consisted of the following at December 31, 2020:

Note Payable - PNC Bank	\$ 3,063,761
Payroll Protection Program Loan	337,500
Economic Injury Disaster Loan	149,900
	<u>3,551,161</u>
Less: Current portion	<u>121,717</u>
Long-term debt	<u><u>\$ 3,429,444</u></u>

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NOTE 5 – LONG TERM DEBT (CONTINUED)

The maturity of the long-term debt payable for the five years following December 31, 2020 and thereafter is as follows:

2021	\$ 121,717
2022	467,155
2023	133,160
2024	136,562
2025	140,452
Thereafter	<u>2,552,115</u>
	<u>\$ 3,551,161</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, the Organization had \$296,530 of net assets with donor restrictions, which consisted of the following:

	December 31, 2019	Contributions	Released	December 31, 2020
Building Fund	\$ 133,897	\$ 185,533	\$ (319,430)	\$ -
Shelter to Service	30,590	188,057	(119,276)	99,371
Ranch Training Center	-	124,828	(90,617)	34,211
Retired K9 Unit	-	2,260	(1,133)	1,127
Low Income Vet Bill	-	60,000	(1,758)	58,242
Mobile Vet Unit	-	130,000	(26,421)	103,579
	<u>\$ 164,487</u>	<u>\$ 690,678</u>	<u>\$ (558,635)</u>	<u>\$ 296,530</u>

As of December 31, 2019, the Organization had \$164,487 of net assets with donor restrictions, which consisted of the following:

	December 31, 2018	Contributions	Released	December 31, 2019
Building Fund	\$ 36,636	\$ 723,222	\$ (625,961)	\$ 133,897
Shelter to Service	-	142,910	(112,320)	30,590
	<u>\$ 36,636</u>	<u>\$ 866,132</u>	<u>\$ (738,281)</u>	<u>\$ 164,487</u>

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NOTE 7 – LEASE COMMITMENTS

The Organization operated its thrift store in a leased facilities under an operating lease arrangement. For the year ended December 31, 2020, facility lease expense totaled \$96,000. During 2019 the adoption center and animal care clinic lease expired and wasn't renewed as the organization completed construction of their new facility.

Future minimum annual lease payments for the thrift store for the remaining terms of the lease in effect at December 31, 2020 are as follows:

Year Ending December 31,	Clinic/Adoption	Thrift Store	Total
2021	\$ -	\$ 96,000	\$ 96,000
2022	-	96,000	96,000
2023	-	96,000	96,000
2024	-	-	-
2025	-	-	-
	<u>\$ -</u>	<u>\$ 288,000</u>	<u>\$ 288,000</u>

NOTE 8 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events occurring after the balance sheet date of December 31, 2020 through the date of September 22, 2021, which is the date the financial statements were available to be issued.

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Subsequent to year end, the Organization received notice from the Small Business Administration (SBA) that 100% of the PPP loan has been forgiven (See Note 5).

Also Subsequent to year end, the Organization applied for, was approved and received a second loan in the amount of \$385,480 under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The PPP loan accrues interest at 1%, with payments to begin six months after the funding of the loan and is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements.