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CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

HUMANE SOCIETY OF PENSACOLA, INC.

PENSACOLA, FLORIDA

AGREED-UPON PROCEDURES REPORT

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

HUMANE SOCIETY OF PENSACOLA, INC.
PENSACOLA, FLORIDA
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FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
Humane Society of Pensacola, Inc.
Pensacola, Florida

We have performed the procedures in the Schedule of Procedures and Findings, which were agreed to by the Humane Society of Pensacola, Inc. ("the Society"). The Society is responsible for determining the sufficiency of these procedures. Consequently, we make no representation regarding the sufficiency of the procedures, either for the purpose for which this report has been requested or for any other purpose.

The Society has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose, which is to review certain accounting records and transactions and overall financial reporting of the Society for appropriateness. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We were engaged by the Society to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Society and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Board of Directors and management of the Society, and is not intended to be, and should not be, used by anyone other than these specified parties.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
February 13, 2023

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

I. Cash

PROCEDURES:

1. Obtained and reviewed the reconciliation of the Society's cash accounts during 2021 and 2022 for timely completion, approval and agreement to the general ledger and applicable bank statements.
2. Reviewed the bank statements for all cash accounts and reviewed the digital image of checks for signature by authorized signor(s), and determined whether all transfers in or out of the accounts were properly recorded.
3. Reviewed the bank statements for any overdrafts and/or usage of the Society's line of credit.

FINDINGS:

We obtained and reviewed the monthly bank reconciliations noting that the beginning cash balance per each reconciliation agreed to the bank statement and that the reconciled balances agreed to the Society's general ledger, noting minor differences. All reconciling items and transfers cleared the Bank in a timely manner.

The Society has a policy that requires two signatures on any check of \$5,000 or more. In reviewing the digital image of checks clearing the operating checking account, we noted four checks in excess of \$5,000 each that cleared the bank in the first half of 2021 that only had one signature. Three of the checks were for capital improvements to the Society's shelter and were signed by the previous board president. One check related to payment for veterinarian services was signed by the former Executive Director. We reviewed the supporting documentation for these disbursements and determined all appeared to represent valid expenses of the Society. All other checks \$5,000 or more had two signatures as required.

In reviewing the digital images of checks, we noted all the checks clearing the operating account from June 23, 2021, to November 8, 2022, were signed by the Society's former Executive Director, with the exception of expense reimbursement checks made payable to the former Executive Director, which were signed by the Board Treasurer in accordance with the Society's policies and procedures. After the departure of the former Executive Director all checks were signed by the Board Treasurer.

We reviewed all transfers into or out of the Society's cash accounts, noting all transactions were valid transfers between accounts of the Society.

We reviewed the monthly bank statements for activity and cash balances throughout 2021 and 2022, noting that no overdrafts occurred. We did note the Society has established a line-of-credit in the amount of \$100,000 to be used to cover any temporary cash shortfalls. As of December 31, 2022, two advances on the line-of-credit had been made in the amounts of \$20,000 and \$50,000 for a total outstanding balance of \$70,000. The line-of-credit is secured by the Society's investment account, noted in section III below, which has a fair value of approximately \$1.1 million as of December 31, 2022.

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

II. Cash Disbursements and Credit Card Testing

PROCEDURES:

1. Obtained a detailed listing of all cash disbursements for 2021 and 2022, and performed data analytics by payee, amounts, date, etc. to review for unusual and/or structured payments.
2. From the detailed listing of all cash disbursements, we selected a sample of disbursements for testing by agreeing to the supporting invoice, check copy, approval in accordance with internal policies and business purpose to the organization, and proper recording in the appropriate general ledger account and clearing in the appropriate bank statement.
3. Obtained the credit card statements for the two credit card accounts owned by the Society and reviewed for unusual activity. Selected a sample of purchases and reviewed supporting documentation for business purpose to the Society.

FINDINGS:

In performing data analytics on the detailed listing of cash disbursements for 2021 and 2022, we noted two instances where the payment for goods or services were split between two sequentially numbered checks by the Society's staff so that the check amounts would be less than the \$5,000 threshold requiring two signatures. These payments were made in June and October of 2022, and were signed by the former Executive Director, despite the cash disbursements being made in violation of the Society's policies and procedures. We reviewed the supporting invoices for these payments, noting the disbursements appeared to represent valid expenses of the Society.

All disbursements for goods and services of the Society are made either by check or electronic funds transfer or are purchased on credit cards in the name of the Society.

From the detailed listing of all cash disbursements, we selected a sample of disbursements for testing and agreed the amount disbursed to supporting invoice, check copy, approval in accordance with internal policies and business purpose to the organization, recording in the appropriate general ledger account, and clearing in the appropriate bank statement. All disbursements tested were properly supported and represented valid business expenses of the Society.

For purchases on credit cards, we reviewed the statements for both cards for all months in 2021 and 2022 and noted no unusual activity. All payments on outstanding credit card balances were made by Electronic Bank Transfer from the Society's operating checking account. We selected a sample of purchases and reviewed the supporting documentation, noting that the support for specific charges was filed with the monthly statement. All transactions tested appeared to represent a valid business expenses of the Society.

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

II. Cash Disbursements and Credit Card Testing - (Continued)

As part of our disbursements testing, we noted one payment to Adcox Imports, Inc., a dealership owned by the Board President. The payment was dated March 9, 2022, in the amount of \$61,239 for the purchase of a 2020 Sprinter Cargo Van for the Society. We examined the supporting documentation which included a purchase agreement from Adcox Imports, Inc. and a buyers order from the Georgia dealership from which Adcox Imports purchased the van for \$61,000. The \$239 difference related to title fees paid. The check for this purchase was signed by the former Executive Director and Board Treasurer. The purchase was properly recorded in the general ledger as a fixed asset of the Society.

In reviewing the disbursement register and credit card statements, we noted three payments to the Pensacola Yacht Club during 2021 and 2022. The disbursements included a payment in April 2021 for \$1,150.46 for a farewell reception for an employee, a payment in April 2022 for \$15,089.52 for expenses related to the Society's Fur Ball fundraising event, and one credit card charge in October 2022 for \$445.70 related to the Society's Annual Meeting, which was attended by board and staff. All transactions were properly supported and represented valid business expenses of the Society.

III. Investments

PROCEDURES:

1. Obtained a detailed listing of investments held by the Society and reconciled to the general ledger. Verified that investments were maintained in accordance with the Society's investment policy.
2. Reviewed investment transactions during 2021 and 2022 and determined any transfers to or from investment accounts were properly recorded in the general ledger and were properly approved in accordance with internal policies.

FINDINGS:

We obtained the investment statement from NBC Securities as of December 31, 2022, and agreed the total balance to the Society's general ledger noting the investments were properly recorded at fair value and that investments holdings and asset allocations were in accordance with the Society's investment policy.

As of December 31, 2022, investments consisted of the following:

	<u>Fair Value</u>
Cash & cash alternatives	\$ 6,569
Equity investments	667,080
Fixed-income investments	<u>424,906</u>
	<u>\$ 1,098,555</u>

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

IV. Payroll

PROCEDURES:

1. Obtained the detailed payroll records for 2021 and 2022, reviewed for unusual activity and verified total payroll to clearing in the Society's operating account statements.

FINDINGS:

The Society uses a third-party payroll provider for processing payroll on a weekly basis for all employees. We obtained the payroll invoices for all weeks in 2021 and 2022 and agreed to the electronic fund transfers recorded in the Society's operating checking account without exception.

In reviewing the weekly payroll invoices for 2021 and 2022, we noted five weeks in 2022, where the weekly payroll increased by more than 25% from the average weekly payroll. Those weeks were January 20th, September 28th, October 12th, October 19th, and October 26th. As a result of these fluctuations, we obtained and reviewed the details of amounts paid by person, noting all of the fluctuations were related to bonuses paid to the former Director of Development. The bonus amounts included \$5,000 paid out the week of January 20th and \$4,750 paid out for each of the other pay periods, resulting in a total bonus of \$24,000 to the former Director of Development in 2022.

As a result, we requested the supporting documentation for the bonus payments and reviewed the monthly board minutes for approval of any bonuses or bonus programs.

The supporting documentation provided by the Society included an unsigned copy of an incentive plan for the former Director of Development where bonuses would be paid based on a percentage of restricted and unrestricted donations raised by the former Director of Development. The bonus calculation provided to us appears to have been prepared by the former Director of Development. That calculation showed \$5,000 owed for the 4th quarter of 2021, which was paid in January 2022, and \$19,000 owed for the 1st, 2nd and 3rd quarters of 2022. The \$19,000 was paid over the four weekly pay periods noted above in the amount of \$4,750 each.

In reviewing the board minutes, we did not see any bonus payments discussed with or approved by the Board of Directors. However, we did note discussion regarding the possibility of establishing an incentive payment program for the former Director of Development in April 2022. The board minutes indicate that no action was taken by the Board of Directors to approve the proposed incentive program. As a result, it appears these bonuses were paid without the knowledge and/or approval of the Board of Directors or the Board Treasurer.

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

V. Donations

PROCEDURES:

1. Reviewed the Society's processes for receiving and recording donations received for 2021 and 2022, including the selection of a sample of days to review the detail of daily donations to verify the funds were timely and properly deposited into the Society's bank accounts.
2. Obtained a detailed listing of restricted funds and related disbursements to determine whether the Society tracks and uses restricted funds in accordance with donor instructions, and whether the Society has available assets to satisfy any remaining restricted funds.

FINDINGS:

The Society primarily receives contributions by check in the mail and online via its website through credit card donations. Donations received in the mail typically include donor correspondence noting any restriction associated with donated funds. For donations received online, the donor can select from a drop-down listing to indicate any specific uses of funds. The Society's process is to record any donor restricted funds as Net Assets With Donor Restrictions in its accounting records. As funds are utilized for intended purposes, the restricted net assets account is reduced accordingly.

In order to test donations, we obtained the details of daily deposits for 2021 and 2022 from the Society's general ledger and selected any deposit totaling \$5,000 or more for testing. For these deposits, we obtained and reviewed the detailed bank deposit slips and supporting donor communications for any contribution totaling \$5,000 or more. There was one donation of \$15,000 for which underlying documentation could not be located to determine whether or not a donor restriction was present. All other donations had underlying support indicating whether or not a donor restriction was present, and we determined these donations were properly recorded in accordance with donor intentions.

In reviewing the general ledger detail for all donations in 2021 and 2022, we noted that the Society received numerous smaller dollar donations designated for programs such as Doggie Bathe In, Foster Program, Kennel Sponsorships, Lucky Penny Funds, etc. which were not tracked as Net Assets with Donor Restrictions. For the period reviewed, these donations amounted to \$49,422.

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

V. Donations - (Continued)

We obtained a listing of all donor restricted funds in 2021 and 2022, as identified by the Society, and agreed the documented donor restriction for each fund to underlying support either provided by or agreed to by the donor. We traced expenditures of restricted funds to underlying documentation noting that the use of restricted funds appeared to be in line with the donor's intended purposes.

As of December 31, 2022, the balance of unspent restricted funds in the general ledger, including \$49,422 not recorded as Net Assets with Donor Restrictions was as follows:

HSUS	\$ 1,400
Greater Good Fund	15,166
Escambia County Spray/Neuter Fund	24,085
Louie's Love Fund	2,192
Santa Rosa Spray/Neuter Fund	5,764
Foster Pantry	4,101
Shelter Laundry	5,438
Pay-It Forward Fund	23,330
Florida Animal Friend Fund	13,885
Talley Vaccine Fund	3,901
Elizabeth Irby Fund	3,919
Alley Cat Allies Grant	2,537
	<u>105,718</u>
Donations not tracked as restricted funds	<u>49,442</u>
 Total Restricted Funds	 <u><u>\$ 155,160</u></u>

Available cash and investments totaled \$1,128,594 as of December 31, 2022. Therefore, the Society had sufficient assets available to satisfy donor requirements as of December 31, 2022.

**HUMANE SOCIETY OF PENSACOLA, INC.
SCHEDULE OF PROCEDURES AND FINDINGS
DECEMBER 31, 2022**

VI. Financial Reporting

PROCEDURES:

1. Reviewed the Society's process for the reconciliation of balance sheet accounts on a monthly basis and the related preparation of month-end financial statements. This would include timely completion, approval by management and presentation to the Board of Directors.

FINDINGS:

We noted that the Board Treasurer was actively involved in the monthly reconciliation of the Society's balance sheet accounts, routinely assisted the Society's staff bookkeeper in entering information in the accounting software, and was responsible for generating the month-end financial statements. In addition, we noted the Board Treasurer reviewed the financial information with the Board of Directors, as documented in the board meeting minutes. No formal approval by management was noted.