



SHERIFFS RANCHES ENTERPRISES, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2020 AND 2019





REPORT OF INDEPENDENT AUDITOR

The Board of Directors
Sheriffs Ranches Enterprises, Inc.
Live Oak, Florida

We have audited the financial statements of Sheriffs Ranches Enterprises, Inc. ("the Organization"), which consist of the statements of financial position as of September 30, 2020 and 2019, and the related statements of activities, cash flows, and functional expenses 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 audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Organization'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 Organization'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 Sheriffs Ranches Enterprises, Inc. as of September 30, 2020 and 2019, 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.

Battis Morrison Wales & Lee, P.A.

BATTIS MORRISON WALES & LEE, P.A.

Orlando, Florida
February 18, 2021

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SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2020	2019
ASSETS		
Cash and cash equivalents	\$ 519,120	\$ 285,909
Inventories	308,991	315,939
Other assets	97,091	104,314
Property and equipment, net	317,399	379,339
Total assets	\$ 1,242,601	\$ 1,085,501
LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 218,651	\$ 200,468
Note payable	343,000	—
Total liabilities	561,651	200,468
NET ASSETS WITHOUT DONOR RESTRICTIONS	680,950	885,033
Total liabilities and net assets without donor restrictions	\$ 1,242,601	\$ 1,085,501

The Accompanying Notes are an Integral
Part of These Financial Statements

SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended September 30,	
	2020	2019
PUBLIC SUPPORT AND REVENUE		
Sales of donated goods	\$ 3,424,837	\$ 4,068,223
Contributions	37,027	58,197
Other revenue	7,730	24,821
Total public support and revenue	3,469,594	4,151,241
EXPENSES		
Program activities	2,759,515	2,822,792
Grant to Florida Sheriffs Youth Ranches, Inc.	276,794	550,000
Total program activities	3,036,309	3,372,792
Supporting activities		
Management and general	545,871	463,414
Fundraising	91,497	100,343
Total supporting activities	637,368	563,757
Total expenses	3,673,677	3,936,549
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(204,083)	214,692
NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of year	885,033	670,341
NET ASSETS WITHOUT DONOR RESTRICTIONS - End of year	\$ 680,950	\$ 885,033

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SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended September 30,	
	2020	2019
OPERATING CASH FLOWS		
Cash received from sales of donated goods	\$ 3,435,971	\$ 4,055,078
Cash received from donors and other income	44,757	83,018
Cash paid for operating activities and costs	(3,256,289)	(3,284,855)
Grant to Florida Sheriffs Youth Ranches, Inc.	(276,794)	(550,000)
Net operating cash flows	(52,355)	303,241
INVESTING CASH FLOWS		
Purchases of or improvements to property and equipment	(57,434)	(202,691)
Net investing cash flows	(57,434)	(202,691)
FINANCING CASH FLOWS		
Borrowings	343,000	—
Net financing cash flows	343,000	—
NET CHANGE IN CASH AND CASH EQUIVALENTS	233,211	100,550
CASH AND CASH EQUIVALENTS - Beginning of year	285,909	185,359
CASH AND CASH EQUIVALENTS - End of year	\$ 519,120	\$ 285,909
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS		
Change in net assets without donor restrictions	\$ (204,083)	\$ 214,692
Adjustments to reconcile change in net assets without donor restrictions to net operating cash flows		
Depreciation	119,374	97,022
Change in inventories	6,948	(1,405)
Change in other assets	7,223	(14,730)
Change in accounts payable and accrued expenses	18,183	7,662
Net operating cash flows	\$ (52,355)	\$ 303,241

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SHERIFFS RANCHES ENTERPRISES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2020

	Supporting activities			Total supporting activities	Total expenses
	Program activities	Management and general	Fundraising		
Salaries	\$ 1,225,954	\$ 401,944	\$ 53,471	\$ 455,415	\$ 1,681,369
Payroll-related expenses	300,671	88,377	13,752	102,129	402,800
Total personnel-related expenses	1,526,625	490,321	67,223	557,544	2,084,169
Agency membership	5,357	826	3,586	4,412	9,769
Utilities	147,324	894	—	894	148,218
Building and grounds repair and maintenance	42,083	121	—	121	42,204
Furniture and equipment rental and maintenance	7,777	2,135	39	2,174	9,951
Printing and office supplies	7,393	1,869	58	1,927	9,320
Insurance	55,446	9,716	1,720	11,436	66,882
Communications	29,429	835	—	835	30,264
Postage and freight	2,601	—	—	—	2,601
Supplies	22,384	175	99	274	22,658
Professional services	2,073	25,901	—	25,901	27,974
Bank fees	67,653	—	—	—	67,653
Rent expense and real estate tax	595,964	—	—	—	595,964
Travel	4,023	1,027	2,826	3,853	7,876
Personnel services	6,368	842	125	967	7,335
Vehicle expense	116,859	1,541	1,390	2,931	119,790
Community affairs	125	—	13,463	13,463	13,588
Staff recruitment and development	4,645	85	968	1,053	5,698
Depreciation and disposals	111,036	9,583	—	9,583	120,619
In-kind gift to Florida Sheriffs Youth Ranches, Inc.	4,350	—	—	—	4,350
Total expenses prior to Grant to Florida Sheriffs Youth Ranches, Inc.	2,759,515	545,871	91,497	637,368	3,396,883
Grant to Florida Sheriffs Youth Ranches, Inc.	276,794	—	—	—	276,794
Total expenses	\$ 3,036,309	\$ 545,871	\$ 91,497	\$ 637,368	\$ 3,673,677

The Accompanying Notes are an Integral
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SHERIFFS RANCHES ENTERPRISES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2019

	Supporting activities			Total supporting activities	Total expenses
	Program activities	Management and general	Fundraising		
Salaries	\$ 1,282,344	\$ 323,751	\$ 49,583	\$ 373,334	\$ 1,655,678
Payroll-related expenses	303,828	86,066	13,479	99,545	403,373
Total personnel-related expenses	1,586,172	409,817	63,062	472,879	2,059,051
Agency membership	10,234	1,189	5,230	6,419	16,653
Utilities	162,269	908	—	908	163,177
Building and grounds repair and maintenance	49,204	150	—	150	49,354
Furniture and equipment rental and maintenance	4,616	2,896	97	2,993	7,609
Printing and office supplies	10,449	1,307	724	2,031	12,480
Insurance	54,746	6,274	1,511	7,785	62,531
Communications	28,237	1,026	233	1,259	29,496
Postage and freight	1,444	—	—	—	1,444
Supplies	21,297	29	6,290	6,319	27,616
Professional services	704	24,650	50	24,700	25,404
Bank fees	70,942	1	—	1	70,943
Rent expense and real estate tax	583,647	—	—	—	583,647
Travel	5,138	4,913	4,713	9,626	14,764
Personnel services	2,618	129	24	153	2,771
Vehicle expense	110,606	3,803	2,107	5,910	116,516
Community affairs	427	—	13,874	13,874	14,301
Staff recruitment and development	7,774	1,390	2,428	3,818	11,592
Depreciation and disposals	93,962	4,932	—	4,932	98,894
In-kind gift to Florida Sheriffs Youth Ranches, Inc.	18,306	—	—	—	18,306
Total expenses prior to Grant to Florida Sheriffs Youth Ranches, Inc.	2,822,792	463,414	100,343	563,757	3,386,549
Grant to Florida Sheriffs Youth Ranches, Inc.	550,000	—	—	—	550,000
Total expenses	\$ 3,372,792	\$ 463,414	\$ 100,343	\$ 563,757	\$ 3,936,549

The Accompanying Notes are an Integral
Part of These Financial Statements

SHERIFFS RANCHES ENTERPRISES, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE A – NATURE OF ACTIVITIES

Sheriffs Ranches Enterprises, Inc. (“the Organization”) is a Florida not-for-profit corporation formed in 2005. The Organization is a supporting organization of Florida Sheriffs Youth Ranches, Inc. (“FSYR”). The primary purpose of the Organization is to operate the productive enterprises of FSYR. The Organization fulfills its purpose through the help of community donors who provide goods for sale in the Organization’s thrift stores. The Organization operates a vehicle sales lot and six thrift stores in Citrus, Pinellas, Suwannee, Hernando, Lake, and Marion Counties (all in Florida).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Organization recognizes cash contributions as revenue when the contributions are received by the Organization.

Cash and cash equivalents

The Organization considers investment instruments purchased or donated with original maturities of three months or less to be cash equivalents.

Inventories

Inventories consist primarily of donated goods which have been processed and are ready for sale. Inventories are recorded at their estimated net realizable value.

Property and equipment

Property and equipment are stated at cost, if purchased, or estimated fair value on the date of donation, if donated. The Organization uses the straight-line method of depreciating property and equipment over the estimated useful lives of the related assets.

Net assets

Net assets without donor restrictions are available for use at the discretion of the Board of Directors and/or management for general operating purposes.

Functional allocation of expenses

The statements of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Indirect costs that benefit multiple functional areas are allocated among the various functional areas based primarily on employee time and space utilization.

Income taxes

The Organization is exempt from federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code and from state income tax pursuant to Florida law. The Organization is further classified as a public charity and not a private foundation for federal tax purposes. The Organization has not incurred unrelated business income taxes. As a result, no income tax provision or liability has been provided for in the accompanying financial statements.

Use of estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Significant estimates used in preparing these financial statements include those related to the estimated useful lives of property and equipment. Actual results could differ from the estimates.

SHERIFFS RANCHES ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Economic uncertainties

In January 2020, the World Health Organization (“WHO”) announced a global health emergency related to the outbreak of a virus in China. In March 2020, WHO elevated the classification of the outbreak to a pandemic (“the pandemic”). Management is closely monitoring the potential impact of the pandemic on the Organization’s financial condition and has taken actions to mitigate its impact. Such actions include availing the Organization of relief measures available under federal law and reducing the overall scope and cost of operations. Because of the unknown impact on global commerce, management is not able to estimate the effects of the pandemic on its operating results, financial condition, or liquidity for the year ending September 30, 2021.

NOTE C – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure within one year of the statements of financial position are as follows:

	September 30,	
	2020	2019
Cash and cash equivalents	\$ 519,120	\$ 285,909
Total financial assets available within one year	\$ 519,120	\$ 285,909

The Organization is primarily supported by sales of donated goods. As part of the Organization’s liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Management believes the Organization has sufficient cash available for general operations that may be drawn upon in the event of an unanticipated financial distress or an immediate liquidity need.

NOTE D – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalents in deposit accounts which may not be federally insured, may exceed federally insured limits, or may be insured by an entity other than an agency of the federal government. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk related to cash and cash equivalents.

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	September 30,	
Category	2020	2019
Land and land improvements	\$ 80,148	\$ 80,148
Buildings and building improvements (including leasehold improvements)	478,057	478,057
Furniture, fixtures, and equipment	207,968	203,597
Vehicles	442,394	479,862
Total property and equipment	1,208,567	1,241,664
Less: Accumulated depreciation	(891,168)	(862,325)
Net property and equipment	\$ 317,399	\$ 379,339

SHERIFFS RANCHES ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – PROPERTY AND EQUIPMENT (Continued)

Depreciation expense amounted to \$119,374 and \$97,022 during the years ended September 30, 2020 and 2019, respectively.

NOTE F – NOTE PAYABLE

During the year ended September 30, 2020, the Organization obtained a Paycheck Protection Program note payable (“PPP loan”) of \$343,000. The PPP loan is unsecured and is payable to a financial institution at a fixed rate of 1.00% per annum with a deferral of interest and principal payments ending on the earlier of the date the Small Business Administration issues a decision on the forgiveness amount of the loan or August 2021. The loan matures in April 2022. Pursuant to federal law, the PPP loan may be forgiven in whole or in part based on the nature of the Organization’s expenditures during an applicable period. Management expects that the full balance of the PPP loan will be forgiven. Subsequent to September 30, 2020, the PPP loan was forgiven and grant revenue of \$343,000 will be recognized in the Organization’s financial statements for the year ending September 30, 2021.

NOTE G – GRANT TO FLORIDA SHERIFFS YOUTH RANCHES, INC.

The Organization transfers excess funds accumulated from operations to FSyr. Excess funds are determined by estimating net income and working capital requirements during the budgetary process. Excess funds granted to FSyr were \$276,794 and \$550,000 during the years ended September 30, 2020 and 2019, respectively.

NOTE H – RETIREMENT PLAN

The Organization contributes to a 401(k) profit-sharing plan (“the Plan”) sponsored by FSyr. All employees age 20.5 and older are eligible to participate in the Plan. Participating employees may elect to make salary deferral contributions to the Plan. The Plan requires the Organization to make matching contributions of up to 3% of an employee’s annual compensation up to a maximum of 5% (increasing by 50% of salary deferrals between 3% and 5% of an employee’s annual compensation). The Organization contributed approximately \$16,000 to the Plan during each of the years ended September 30, 2020 and 2019. The Organization may also provide an additional discretionary matching contribution to the Plan. No additional discretionary matching contributions were made to the Plan during the years ended September 30, 2020 and 2019.

NOTE I – OPERATING LEASES

The Organization leases building space under operating lease agreements. Rent expense (including common area maintenance and other charges) related to such leases was approximately \$592,000 and \$580,000 during the years ended September 30, 2020 and 2019, respectively.

Future minimum rental payments under noncancelable operating leases are approximately as follows:

Year Ending <u>September 30.</u>	
2021	\$ 598,000
2022	344,000
2023	317,000
2024	231,000
2025	133,000
Thereafter	<u>17,000</u>
Total	<u>\$ 1,640,000</u>

SHERIFFS RANCHES ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE J – SUBSEQUENT EVENTS

Subsequent to September 30, 2020, the Organization obtained a Second Draw Paycheck Protection Program note payable (“Second Draw PPP loan”) of approximately \$328,000. The Second Draw PPP loan is unsecured and is payable to a financial institution at a fixed rate of 1.00% per annum with a deferral of interest and principal payments until August 2021. The loan matures in February 2026. Pursuant to federal law, the Second Draw PPP loan may be forgiven in whole or in part based on the nature of the Organization’s expenditures during an applicable period.

The Organization has evaluated for possible financial statement reporting and disclosure subsequent events through February 18, 2021, the date as of which the financial statements were available to be issued.