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CERTIFIED PUBLIC ACCOUNTANTS

Sheriffs Ranches Enterprises, Inc.

Financial Statements

For The Years Ended September 30, 2022 and 2021



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CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT AUDITOR

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

Opinion

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, 2022 and 2021, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

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- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Batts Morrison Wales & Lee, P.A.

BATTS MORRISON WALES & LEE, P.A.

Orlando, Florida
January 27, 2023

SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF FINANCIAL POSITION

ASSETS

	September 30,	
	2022	2021
ASSETS		
Cash and cash equivalents	\$ 418,206	\$ 685,204
Inventories	410,489	271,564
Other assets	122,316	96,069
Property and equipment, net	279,649	285,634
Total assets	\$ 1,230,660	\$ 1,338,471

LIABILITIES AND NET ASSETS WITHOUT DONOR RESTRICTIONS

LIABILITIES		
Accounts payable and accrued expenses	\$ 235,250	\$ 249,091
Total liabilities	235,250	249,091
NET ASSETS WITHOUT DONOR RESTRICTIONS	995,410	1,089,380
Total liabilities and net assets without donor restrictions	\$ 1,230,660	\$ 1,338,471

The Accompanying Notes are an Integral
Part of These Financial Statements

SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF ACTIVITIES

	For The Years Ended September 30,	
	2022	2021
PUBLIC SUPPORT AND REVENUE		
Sales of donated goods	\$ 4,008,895	\$ 3,927,532
Grant revenue	—	670,800
Contributions	58,195	46,195
Other revenue	1,103	721
Total public support and revenue	4,068,193	4,645,248
EXPENSES		
Program activities	2,818,184	2,793,058
Grant to Florida Sheriffs Youth Ranches, Inc.	585,194	800,000
Total program activities	3,403,378	3,593,058
Supporting activities		
Management and general	639,058	551,724
Fundraising	119,727	92,036
Total supporting activities	758,785	643,760
Total expenses	4,162,163	4,236,818
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(93,970)	408,430
NET ASSETS WITHOUT DONOR RESTRICTIONS - Beginning of year	1,089,380	680,950
NET ASSETS WITHOUT DONOR RESTRICTIONS - End of year	\$ 995,410	\$ 1,089,380

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SHERIFFS RANCHES ENTERPRISES, INC.
STATEMENTS OF CASH FLOWS

	For The Years Ended September 30,	
	2022	2021
OPERATING CASH FLOWS		
Cash received from sales of donated goods	\$ 4,008,895	\$ 3,938,666
Cash received from donors and other income	59,298	46,916
Cash paid for operating activities and costs	(3,642,942)	(3,264,262)
Grant to Florida Sheriffs Youth Ranches, Inc.	<u>(585,194)</u>	<u>(800,000)</u>
Net operating cash flows	<u>(159,943)</u>	<u>(78,680)</u>
INVESTING CASH FLOWS		
Purchases of and improvements to property and equipment	<u>(107,055)</u>	<u>(83,036)</u>
Net investing cash flows	<u>(107,055)</u>	<u>(83,036)</u>
FINANCING CASH FLOWS		
Borrowings	<u>—</u>	<u>327,800</u>
Net financing cash flows	<u>—</u>	<u>327,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(266,998)	166,084
CASH AND CASH EQUIVALENTS - Beginning of year	<u>685,204</u>	<u>519,120</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 418,206</u>	<u>\$ 685,204</u>
RECONCILIATION OF CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS TO NET OPERATING CASH FLOWS		
Change in net assets without donor restrictions	\$ (93,970)	\$ 408,430
Adjustments to reconcile change in net assets without donor restrictions to net operating cash flows		
Depreciation	113,040	114,801
Conversion of notes payable to grant revenue (See Note F)	—	(670,800)
Change in inventories	(138,925)	37,427
Change in other assets	(26,247)	1,022
Change in accounts payable and accrued expenses	<u>(13,841)</u>	<u>30,440</u>
Net operating cash flows	<u>\$ (159,943)</u>	<u>\$ (78,680)</u>

SUPPLEMENTAL DISCLOSURE

During the year ended September 30, 2021, \$670,800 of principal reductions of notes payable are included in "grant revenue" in the accompanying statement of activities.

SHERIFFS RANCHES ENTERPRISES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2022

	Supporting activities			Total supporting activities	Total expenses
	Program activities	Management and general	Fundraising		
Salaries	\$ 1,338,967	\$ 463,963	\$ 55,474	\$ 519,437	\$ 1,858,404
Payroll-related expenses	273,340	113,033	15,107	128,140	401,480
Total personnel-related expenses	1,612,307	576,996	70,581	647,577	2,259,884
Agency membership	13,438	814	3,690	4,504	17,942
Utilities	173,409	937	—	937	174,346
Building and grounds repair and maintenance	30,128	69	—	69	30,197
Furniture and equipment rental and maintenance	15,802	1,365	177	1,542	17,344
Printing and office supplies	4,065	1,048	5,385	6,433	10,498
Insurance	114,246	13,580	4,374	17,954	132,200
Communications	28,002	2,378	—	2,378	30,380
Postage and freight	3,587	14	—	14	3,601
Supplies	20,936	—	—	—	20,936
Professional services	62	25,834	—	25,834	25,896
Bank fees	76,081	14	—	14	76,095
Rent and real estate tax	486,002	—	—	—	486,002
Travel	3,929	3,920	4,224	8,144	12,073
Vehicle	119,409	4,466	1,918	6,384	125,793
Community affairs	245	—	24,116	24,116	24,361
Staff recruitment and development	6,763	1,123	5,262	6,385	13,148
Depreciation	106,540	6,500	—	6,500	113,040
In-kind gift to Florida Sheriffs Youth Ranches, Inc.	3,233	—	—	—	3,233
Total expenses prior to Grant to Florida Sheriffs Youth Ranches, Inc.	2,818,184	639,058	119,727	758,785	3,576,969
Grant to Florida Sheriffs Youth Ranches, Inc.	585,194	—	—	—	585,194
Total expenses	\$ 3,403,378	\$ 639,058	\$ 119,727	\$ 758,785	\$ 4,162,163

The Accompanying Notes are an Integral
Part of These Financial Statements

SHERIFFS RANCHES ENTERPRISES, INC.

STATEMENT OF FUNCTIONAL EXPENSES

For The Year Ended September 30, 2021

	Supporting activities			Total supporting activities	Total expenses
	Program activities	Management and general	Fundraising		
Salaries	\$ 1,232,773	\$ 395,789	\$ 49,632	\$ 445,421	\$ 1,678,194
Payroll-related expenses	298,181	100,336	13,713	114,049	412,230
Total personnel-related expenses	1,530,954	496,125	63,345	559,470	2,090,424
Agency membership	10,317	925	5,932	6,857	17,174
Utilities	156,366	825	—	825	157,191
Building and grounds repair and maintenance	73,325	—	—	—	73,325
Furniture and equipment rental and maintenance	9,250	707	157	864	10,114
Printing and office supplies	10,178	280	50	330	10,508
Insurance	69,583	10,554	3,485	14,039	83,622
Communications	34,007	1,298	—	1,298	35,305
Postage and freight	2,194	—	—	—	2,194
Supplies	17,705	240	2,987	3,227	20,932
Professional services	454	27,218	—	27,218	27,672
Bank fees	68,266	100	—	100	68,366
Rent and real estate tax	608,982	—	—	—	608,982
Travel	4,007	1,300	1,069	2,369	6,376
Personnel services	2,139	616	626	1,242	3,381
Vehicle	85,513	1,755	828	2,583	88,096
Community affairs	424	25	11,701	11,726	12,150
Staff recruitment and development	3,681	350	1,856	2,206	5,887
Depreciation	105,395	9,406	—	9,406	114,801
In-kind gift to Florida Sheriffs Youth Ranches, Inc.	318	—	—	—	318
Total expenses prior to Grant to Florida Sheriffs Youth Ranches, Inc.	2,793,058	551,724	92,036	643,760	3,436,818
Grant to Florida Sheriffs Youth Ranches, Inc.	800,000	—	—	—	800,000
Total expenses	\$ 3,593,058	\$ 551,724	\$ 92,036	\$ 643,760	\$ 4,236,818

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 monitoring 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.

Subsequent events

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

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:

	<u>September 30,</u>	
	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 418,206	\$ 685,204
Total financial assets available within one year	\$ 418,206	\$ 685,204

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.

SHERIFFS RANCHES ENTERPRISES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Category	September 30,	
	2022	2021
Land and land improvements	\$ 80,148	\$ 80,148
Buildings and building improvements (including leasehold improvements)	492,052	480,857
Furniture, fixtures, and equipment	245,029	221,152
Vehicles	507,930	464,538
Construction in progress	—	8,883
Total property and equipment	1,325,159	1,255,578
Less: Accumulated depreciation	(1,045,510)	(969,944)
Net property and equipment	\$ 279,649	\$ 285,634

Depreciation expense amounted to \$113,040 and \$114,801 during the years ended September 30, 2022 and 2021, respectively.

NOTE F – NOTES PAYABLE

In a prior year, the Organization obtained a Paycheck Protection Program (“PPP”) note payable of \$343,000. During the year ended September 30, 2021, the Organization obtained a Second Draw PPP loan of \$327,800. The PPP loans were forgiven entirely by the Small Business Administration during the year ended September 30, 2021 based on the nature of the Organization's expenditures eligible for forgiveness during certain applicable periods. Accordingly, the Organization recognized grant revenue of \$670,800 in the accompanying statement of activities during the year ended 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 \$585,194 and \$800,000 during the years ended September 30, 2022 and 2021, 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 \$18,000 and \$17,000 to the Plan during the years ended September 30, 2022 and 2021, respectively. 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, 2022 and 2021.

SHERIFFS RANCHES ENTERPRISES, INC.

NOTES TO FINANCIAL STATEMENTS

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 \$613,000 and \$606,000 during the years ended September 30, 2022 and 2021, respectively.

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

<u>Year Ending</u> <u>September 30,</u>	
2023	\$ 550,000
2024	397,000
2025	277,000
2026	<u>162,000</u>
Total	<u>\$ 1,386,000</u>