

Humane Society of South Coastal
Georgia, Inc.

Report to the Board of Directors
December 31, 2019

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MOORE STEPHENS TILLER LLC

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

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November 12, 2020

Board of Directors
Humane Society of South Coastal Georgia, Inc.
4627 US Highway 17
Brunswick, GA 31525

Dear Members of the Board of Directors:

We are pleased to present the results of our December 31, 2019 audit of the financial statements of Humane Society of South Coastal Georgia, Inc. (the "Society"). This Report to the Board of Directors presents the communications required by our professional standards.

This report is intended solely for the use of the Board of Directors and management and should not be used for any other purpose.

We appreciate the opportunity to meet with you. If you have any questions or comments, please call Angela Heys at (912) 265-1750.

Sincerely,

Moore Stephens Tiller LLC

Required Communications

We have audited the financial statements of Humane Society of South Coastal Georgia, Inc. for the year ended December 31, 2019, and have issued our report thereon dated November 12, 2020. Professional standards require us to provide you with information about our responsibilities under generally accepted auditing standards (“GAAS”), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated May 28, 2020. Professional standards also require that we communicate to you the following information related to our audit.

AREA	COMMENTS
<i>Auditor’s Responsibilities under Generally Accepted Auditing Standards (GAAS)</i>	
Our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.	We have issued an unmodified opinion on Humane Society of South Coastal Georgia, Inc.’s financial statements for the year ended December 31, 2019.
<i>Significant Accounting Policies</i>	
Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.	The significant accounting policies used by Humane Society of South Coastal Georgia, Inc. are described in Note 1 to the financial statements. The Society adopted ASC 606 <i>Revenue from Contracts with Customers</i> and ASU 2018-08 <i>Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made</i> , in 2019. The updates had no impact on the statement of financial position or the statement of activities and changes in net assets for the year ended December 31, 2019.
	We noted no transactions entered into by the Society during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Required Communications (continued)

Quality of Accounting Principles/Estimation Methods Used by Management

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The Society's accounting standards are of high quality. Management is conservative in its selection of significant estimation methods. The most sensitive estimates affecting the financial statements are the functional expense allocation methods.

Functional expense allocations for expenses that are not directly charged to program/support services are allocated using a reasonable basis that is consistently applied. We evaluated the key factors and assumptions used in allocating the expenses in determining that they were reasonable to the financial statements taken as a whole.

Clarity and Completeness of Financial Reporting and Related Disclosures

Preparation of financial statements and other reports requires the use of judgment regarding clarity and completeness of disclosures. Certain disclosures are particularly sensitive because of their significance to financial statement users.

The Society's approach tends to be conservative, with disclosures being comprehensive and understandable. The disclosures in the financial statements are neutral, consistent, and clear.

Accounting for Unusual Transactions and for Controversial/Emerging Areas

There were no such transactions or controversial/emerging areas identified.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

Management has corrected all known misstatements. The impact of all adjustments proposed by MST and corrected by management is as follows:

- Assets - \$72,631 decrease
- Liabilities - \$19,634 increase
- Net Assets - \$407,418 decrease
- Revenues - \$510,811 increase
- Expenses - \$195,658 increase

Required Communications (continued)

Related Party Transactions

Transactions with related parties should be monitored and appropriately reflected in the financial statements and other reports.

All required disclosures of transactions with related parties have been made.

Disagreements with Management on Financial Accounting and Reporting Matters

Professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 12, 2020.

Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Society's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants regarding the application of accounting principles or determination of the type of auditor's opinion that may be expressed on the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in performing and completing our audit.

Fraud and Illegal Acts

None identified.

Material Weaknesses in Internal Controls

See page 4.

Other Matters

Note 9 to the financial statements includes a disclosures regarding the uncertainty surrounding the coronavirus outbreak and its effect on the U.S. economy. The extent to which this event will affect the Society's results of activities and financial position remains uncertain. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Internal Controls

In planning and performing our audit of the financial statements of Humane Society of South Coastal Georgia, Inc. for the year ended December 31, 2019, in accordance with accounting standards generally accepted in the United States of America, we considered the Society's internal control over financial reporting as a basis for designing our audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. Accordingly, we do not express an opinion on the effectiveness of the Society's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Society's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Society's internal control to be a material weakness:

Material Weakness

Accounting Review/Monitoring – Management's review of accounting records, reconciliations, and other financial reports is critical in ensuring that financial statements are presented accurately. During our audit, we noted areas that appear to need additional review or monitoring on a regular basis, many of which resulted in the corrected misstatements identified during the audit on page 2. Examples include the following:

- Audit entries from 2018 were not recorded. This resulted in an adjustment to decrease net assets of \$407,418 as a part of the 2019 audit.
- Perpetual trust balances were not adjusted to match investment statements from the trustee. This resulted in adjustment to increase investments by \$67,886 during the 2019 audit.
- In-kind contributions and related expense of \$140,872 were not recorded prior to the audit.

Other Matter

In addition, we noted another matter involving the operation that we considered necessary to report to management. The matter is summarized as follows:

Repayment of Advance from Trust – The Society currently has an outstanding balance due to the Trust in excess of pledges receivable in the amount of \$75,000. Initially, the pledge payments were to be used to pay down the advance. We recommend that management review their strategy for paying back the advance from the trust.