

Pet Community Center, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

Pet Community Center, Inc.
Financial Statements
For the Years Ended December 31, 2020 and 2019

Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 12



Independent Auditor's Report

Board of Directors
Pet Community Center, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Pet Community Center, Inc. (a not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 audits 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 Pet Community Center, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
September 15, 2021

Pet Community Center, Inc.
Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current assets		
Cash	\$ 312,772	\$ 165,194
Restricted cash	30,300	21,250
Accounts receivable	1,819	24,590
Grants receivable	25,000	25,000
Contributions receivable, current portion	58,050	5,900
Inventory	79,004	55,168
Total current assets	<u>506,945</u>	<u>297,102</u>
Other assets		
Property and equipment, net	98,427	119,274
Contributions receivable, net of current portion	25,000	30,000
Cash restricted for capital campaign	188,110	135,260
Security deposit	1,573	1,573
Total other assets	<u>313,110</u>	<u>286,107</u>
Total assets	\$ 820,055	\$ 583,209
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 15,250	\$ 26,235
Accrued expenses	53,981	65,461
Total current liabilities	<u>69,231</u>	<u>91,696</u>
PPP loan	274,153	-
Total liabilities	<u>343,384</u>	<u>91,696</u>
Net assets		
Without donor restrictions	200,211	274,103
With donor restrictions	276,460	217,410
Total net assets	<u>476,671</u>	<u>491,513</u>
Total liabilities and net assets	\$ 820,055	\$ 583,209

Pet Community Center, Inc.
Statement of Activities
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Program Revenues						
Spay and neuter services	\$ 115,155	\$ -	\$ 115,155	\$ 334,796	\$ -	\$ 334,796
Ancillary services	493,085	-	493,085	857,563	-	857,563
Total program revenues	608,240	-	608,240	1,192,359	-	1,192,359
Public support and Other Revenues						
Contributions, operations	511,980	-	511,980	350,207	-	350,207
Contributions, capital campaign	-	50,000	50,000	-	117,304	117,304
Grants	-	201,500	201,500	-	157,090	157,090
Special events	116,352	-	116,352	182,528	-	182,528
In-kind revenues	24,925	-	24,925	28,732	-	28,732
Miscellaneous revenues	2,528	-	2,528	4,595	-	4,595
Net assets released from restrictions	192,450	(192,450)	-	281,934	(281,934)	-
Total public support and other revenues	848,235	59,050	907,285	847,996	(7,540)	840,456
Total revenues	1,456,475	59,050	1,515,525	2,040,355	(7,540)	2,032,815
Expenses						
Program services	1,197,821	-	1,197,821	1,727,013	-	1,727,013
Management and general	101,392	-	101,392	148,768	-	148,768
Fundraising	231,154	-	231,154	227,826	-	227,826
Total expenses	1,530,367	-	1,530,367	2,103,607	-	2,103,607
Change in net assets	(73,892)	59,050	(14,842)	(63,252)	(7,540)	(70,792)
Net assets, beginning of year	274,103	217,410	491,513	337,355	224,950	562,305
Net assets, end of year	\$ 200,211	\$ 276,460	\$ 476,671	\$ 274,103	\$ 217,410	\$ 491,513

See notes to financial statements

Pet Community Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program services	Supporting services			Total expenses
		Management and general	Fundraising	Total	
Payroll expenses	\$ 829,261	\$ 31,622	\$ 191,307	\$ 222,929	\$ 1,052,190
Cost of goods sold	196,973	-	-	-	196,973
Bad debt expense	-	-	-	-	-
Bank and credit card fees	11,091	415	2,573	2,988	14,079
Contract services	-	29,710	720	30,430	30,430
Depreciation	20,847	-	-	-	20,847
Facilities and maintenance	65,268	27,878	-	27,878	93,146
Marketing	-	-	6,401	6,401	6,401
Office supplies	10,168	16	668	684	10,852
Other expenses	1,136	6,002	67	6,069	7,205
Postage and shipping	3,259	85	1,542	1,627	4,886
Printing and copying	889	-	951	951	1,840
Program supplies and expenses	23,376	-	-	-	23,376
Rabies licenses	28,588	-	-	-	28,588
Recruitment	303	-	-	-	303
Registration fees	1,156	267	-	267	1,423
Special events	-	-	24,109	24,109	24,109
Subscriptions	2,643	3,825	2,303	6,128	8,771
Telephone and communications	863	960	268	1,228	2,091
Travel and meetings	2,000	612	245	857	2,857
	\$ 1,197,821	\$ 101,392	\$ 231,154	\$ 332,546	\$ 1,530,367

Pet Community Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program services	Supporting services			Total expenses
		Management and general	Fundraising	Total	
Payroll expenses	\$ 1,087,915	\$ 68,553	\$ 179,692	\$ 248,245	\$ 1,336,160
Cost of goods sold	412,233	-	-	-	412,233
Bad debt expense	717	-	-	-	717
Bank and credit card fees	15,899	443	400	843	16,742
Contract services	-	32,400	-	32,400	32,400
Depreciation	29,850	-	-	-	29,850
Facilities and maintenance	55,868	27,838	-	27,838	83,706
Marketing	4,702	-	3,140	3,140	7,842
Office supplies	7,542	904	500	1,404	8,946
Other expenses	830	8,150	610	8,760	9,590
Postage and shipping	349	128	1,520	1,648	1,997
Printing and copying	3,961	325	693	1,018	4,979
Program supplies and expenses	36,099	-	-	-	36,099
Rabies licenses	59,528	-	-	-	59,528
Recruitment	276	238	35	273	549
Registration fees	2,715	260	-	260	2,975
Special events	-	-	37,991	37,991	37,991
Subscriptions	3,889	2,948	1,973	4,921	8,810
Telephone and communications	737	960	-	960	1,697
Travel and meetings	3,903	5,621	1,272	6,893	10,796
	\$ 1,727,013	\$ 148,768	\$ 227,826	\$ 376,594	\$ 2,103,607

Pet Community Center, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash and restricted cash, beginning of year	\$ 321,704	\$ 415,060
Cash flows from operating activities		
Change in net assets	(14,842)	(70,792)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Bad debt expense	-	717
Contributions for capital campaign	(16,950)	(81,404)
Depreciation	20,847	29,850
Donated property and equipment	-	(92,304)
Change in:		
Accounts receivable	22,771	7,805
Grants receivable	-	5,000
Contributions receivable, net	(47,150)	7,800
Inventory	(23,836)	3,138
Accounts payable	(10,985)	3,996
Accrued expenses	(11,480)	11,434
Net cash provided (used) by operating activities	<u>(81,625)</u>	<u>(174,760)</u>
Cash flows from financing activities		
Proceeds received from contributions restricted for capital campaign	16,950	81,404
PPP loan proceeds	274,153	-
Net cash provided (used) by financing activities	<u>291,103</u>	<u>81,404</u>
Net change in cash and restricted cash	<u>209,478</u>	<u>(93,356)</u>
Cash and restricted cash, end of year	\$ 531,182	\$ 321,704
Reconciliation to statements of financial position		
Cash	\$ 312,772	\$ 165,194
Restricted cash	30,300	21,250
Cash restricted for capital campaign	<u>188,110</u>	<u>135,260</u>
	\$ 531,182	\$ 321,704
Supplemental disclosures of cash flow information		
Non-cash investing activities		
Property and equipment acquired through capital contributions	\$ -	\$ 92,304

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Organization and Nature of Activities

Pet Community Center, Inc. (the Organization) is a not-for-profit community service agency founded in March 2011. The Organization's major programs include free and low-cost spay/neuter, pet wellness, and outreach services to various private, not-for-profit, and government entities in Middle Tennessee. The spay/neuter program is designed to address the issue of pet homelessness and shelter euthanasia in Middle Tennessee. The mobile wellness clinic provides low-cost, walk-in services for pets, including vaccines, and preventive medicine. The goal of the mobile clinic is to provide preventive care that can reduce the number of pet owners relinquishing their pets to a shelter due to lack of access to affordable pet care. The mobile clinic also serves as an outreach program to share information about spay/neuter with pet owners.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Basis of Presentation

The financial statements of the Organization have been prepared in accordance with US GAAP, which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Use of Estimates

The preparation of the financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Restricted Cash

Cash and restricted cash consists principally of checking and savings account balances with financial institutions.

Accounts Receivable

Accounts receivable are stated at unpaid balances. Receivables are written off in the period in which management deems the balance to be uncollectible. The Organization expects to fully collect these items; therefore no allowance for uncollectible accounts has been recorded in the financial statements.

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

Contributions and Grants Receivable

Contributions and grants receivable represent the unconditional promises to give unless specifically restricted by the donor. The Organization has evaluated the allowance for uncollectible contributions and the discount to net present value and determined the estimated amounts are not material to the financial statements.

Inventory

Inventories, representing surgical supplies, vaccinations, and medicine, are stated at the lower-of-cost or net realizable value determined by the first-in, first-out method.

Property, Equipment, and Depreciation

Equipment, furniture, vehicles, and leasehold improvements purchased in excess of \$500 are capitalized and stated at acquisition cost or at estimated fair value at the time of the gift, if donated. If donors stipulate how long the assets must be used, the contributions are recorded as net assets with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as net assets without donor restrictions.

Depreciation of property and equipment is calculated by the straight-line method over estimated useful lives which range from three to five years.

Impairment of Long-lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment charges recognized during the years ended December 31, 2020 and 2019.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reported in the statements of activities as net assets released in satisfaction of restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

Donated Goods and Services

Donated services are recognized if they create or enhance nonfinancial assets or the donated service requires specialized skills, was performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at estimated fair value as support and expense in the period the services were performed.

A number of unpaid volunteers have made significant contributions of their time to assist the Organization in implementing various programs. The value of contributed time is not reflected in these financial statements in accordance with US GAAP.

Income Taxes

The Organization is exempt from income tax under Internal Revenue Code (IRC) section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Advertising

Advertising is expensed as incurred. Total advertising expense for the years ended December 31, 2020 and 2019 was \$6,401 and \$7,842, respectively.

Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one program or activity based on objectively evaluated financial and non-financial data or reasonable subjective methods determined by management.

The expenses that are allocated include the following:

	Method of allocation
Bank and credit card fees	Time and effort
Contract services	Time and effort
Depreciation	Square footage
Facilities and maintenance	Square footage
Marketing	Time and effort
Office supplies	Time and effort
Other expenses	Time and effort
Payroll expenses	Time and effort
Postage and shipping	Time and effort
Printing and copying	Time and effort
Recruitment	Time and effort
Subscriptions	Time and effort
Telephone and communications	Time and effort
Travel and meetings	Time and effort

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

PPP Loan

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. The Organization received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. At December 31, 2020, the Organization has elected to treat the PPP loan as debt.

Note 3. Availability and Liquidity

The following represents the Organization's financial assets at December 31:

	2020	2019
Financial assets		
Cash and restricted cash	\$ 531,182	\$ 321,704
Accounts receivable	1,819	24,590
Grants receivable	25,000	25,000
Contributions receivable, net	<u>83,050</u>	<u>35,900</u>
Total financial assets	641,051	407,194
Less amounts not available to be used within one year		
Net assets with donor restrictions	276,460	217,410
Less net assets with purpose restrictions to be met in less than a year	<u>(55,300)</u>	<u>(46,250)</u>
	<u>221,160</u>	<u>171,160</u>
Financial assets available to meet cash needs for general expenditures over the next 12 months	\$ 419,891	\$ 236,034

The Organization's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is placed in a money market account.

Note 4. Contributions Receivable

Contributions receivable consist of the following at December 31:

	2020	2019
Less than one year	\$ 58,050	\$ 5,900
Over one year	<u>25,000</u>	<u>30,000</u>
	\$ 83,050	\$ 35,900

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 5. Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Clinic equipment	\$ 186,292	\$ 186,292
Leasehold improvements	38,766	43,616
Office furniture and equipment	4,957	4,957
Vehicles	<u>111,881</u>	<u>111,881</u>
	341,896	346,746
Less: accumulated depreciation	<u>(243,469)</u>	<u>(227,472)</u>
	\$ 98,427	\$ 119,274

Note 6. Accrued Expenses

Accrued expenses consist of the following at December 31:

	2020	2019
Credit card payable	\$ 12,734	\$ 24,114
Payroll taxes and benefits payable	1,407	12,438
Accrued payroll	<u>39,840</u>	<u>28,909</u>
	\$ 53,981	\$ 65,461

Note 7. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2020	2019
Spay/neuter/various surgeries	\$ 17,800	\$ 35,000
General programs	12,500	5,000
Wellness	25,000	6,250
Capital campaign	<u>221,160</u>	<u>171,160</u>
	\$ 276,460	\$ 217,410

Note 8. Operating Leases

The Organization leases various office space and storage units. The office and storage leases are currently on a monthly basis.

Rent expense for the years ended December 31, 2020 and 2019 was \$74,454 and \$71,245, respectively, and is included in facilities and maintenance costs on the statements of functional expenses.

Note 9. Concentrations

As of December 31, 2020 and 2019, approximately 91% and 83% of accounts, grants, and contributions receivable were receivable from three and four contributors, respectively.

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 10. Retirement Plan

Effective February 1, 2019, the Organization established a 403(b) retirement plan eligible to certain tax-exempt organizations under IRC section 501(c)(3). All eligible employees are allowed to participate in the plan as of their employment commencement date (the universal availability rule). An employer may, but is not required to, contribute to the 403(b) plan for employees. As of December 31, 2020, the Organization has not contributed to the plan.

Note 11. PPP Loan

On April 15, 2020, the Organization received a loan in the amount of \$274,153 in accordance with the PPP section of the CARES Act, which was forgiven in June 2021. Under this loan program, the Organization may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. As of December 31, 2020 the Organization has elected to treat the PPP loan as debt.

The PPP funding may be subject to further review and audit by the United States Small Business Administration (also known as the SBA). Any such audits could generate disallowances of forgiveness amounts awarded under terms of the loan.

Note 12. Subsequent Events

Management has evaluated subsequent events through September 15, 2021, the date on which the financial statements were available for issuance.