

Pet Community Center, Inc.

Financial Statements
For the Years Ended December 31, 2022 and 2021

Pet Community Center, Inc.
Financial Statements
For the Years Ended December 31, 2022 and 2021

Contents

| | |
|-------------------------------------|--------|
| Independent Auditor's Report | 1 |
| Financial Statements | |
| Statements of Financial Position | 3 |
| Statements of Activities | 4 |
| Statements of Functional Expenses | 5 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8 - 15 |



Independent Auditor's Report

Board of Directors
Pet Community Center, Inc.

Opinion

We have audited the accompanying financial statements of Pet Community Center, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2022 and 2021, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022 and 2021, and 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 issued or 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 as a whole 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 GAAS 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 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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.
- 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 the 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.

Blankenship CPA Group, PLLC

Blankenship CPA Group, PLLC
Brentwood, Tennessee
November 8, 2023

Pet Community Center, Inc.
Statements of Financial Position
December 31, 2022 and 2021

| | 2022 | 2021 |
|--|---------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash | \$ 73,674 | \$ 224,332 |
| Restricted cash | 33,300 | 4,192 |
| Accounts receivable | 23,569 | 67,496 |
| Grants receivable | 36,150 | 2,250 |
| Contributions receivable, current portion | 110,583 | 110,833 |
| Inventory | 46,487 | 51,730 |
| Prepaid expenses | 5,537 | - |
| Total current assets | 329,300 | 460,833 |
| Other assets | | |
| Property and equipment, net | 330,579 | 91,795 |
| Operating lease, right-of-use assets | 332,008 | - |
| Contributions receivable, net of current portion | 318,917 | 419,167 |
| Cash restricted for capital campaign | 119,727 | 215,054 |
| Security deposit | 9,674 | 2,383 |
| Total other assets | 1,110,905 | 728,399 |
| Total assets | \$ 1,440,205 | \$ 1,189,232 |
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable | \$ 16,565 | \$ 8,603 |
| Accrued expenses | 64,397 | 65,946 |
| Operating lease liabilities, current portion | 57,267 | - |
| Total current liabilities | 138,229 | 74,549 |
| Operating lease liabilities, noncurrent portion | 274,741 | - |
| Total liabilities | 412,970 | 74,549 |
| Net assets | | |
| Without donor restrictions | 344,708 | 365,437 |
| With donor restrictions | 682,527 | 749,246 |
| Total net assets | 1,027,235 | 1,114,683 |
| Total liabilities and net assets | \$ 1,440,205 | \$ 1,189,232 |

Pet Community Center, Inc.
Statement of Activities
For the Years Ended December 31, 2022 and 2021

| | 2022 | | | 2021 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without donor restrictions | With donor restrictions | Total | Without donor restrictions | With donor restrictions | Total |
| Program Revenues | | | | | | |
| Spay and neuter services | \$ 157,835 | \$ - | \$ 157,835 | \$ 254,318 | \$ - | \$ 254,318 |
| Ancillary services | 628,322 | - | 628,322 | 605,579 | - | 605,579 |
| Total program revenues | 786,157 | - | 786,157 | 859,897 | - | 859,897 |
| Public Support and Other Revenues | | | | | | |
| Contributions of cash and other financial assets | | | | | | |
| Contributions, operations | 523,184 | - | 523,184 | 726,291 | - | 726,291 |
| Contributions, capital campaign | - | - | - | - | 523,895 | 523,895 |
| Grants | 20,732 | 96,513 | 117,245 | - | 89,981 | 89,981 |
| Nonfinancial asset contributions | 79,210 | - | 79,210 | 26,859 | - | 26,859 |
| Special events | 244,688 | - | 244,688 | 149,081 | - | 149,081 |
| Miscellaneous revenues | 1,023 | - | 1,023 | 1,384 | - | 1,384 |
| Net assets released from restrictions | 163,232 | (163,232) | - | 141,090 | (141,090) | - |
| Total public support and other revenues | 1,032,069 | (66,719) | 965,350 | 1,044,705 | 472,786 | 1,517,491 |
| Total revenues | 1,818,226 | (66,719) | 1,751,507 | 1,904,602 | 472,786 | 2,377,388 |
| Expenses | | | | | | |
| Program services | 1,403,970 | - | 1,403,970 | 1,330,219 | - | 1,330,219 |
| Management and general | 154,477 | - | 154,477 | 155,995 | - | 155,995 |
| Fundraising | 280,508 | - | 280,508 | 253,162 | - | 253,162 |
| Total expenses | 1,838,955 | - | 1,838,955 | 1,739,376 | - | 1,739,376 |
| Change in net assets | (20,729) | (66,719) | (87,448) | 165,226 | 472,786 | 638,012 |
| Net assets, beginning of year | 365,437 | 749,246 | 1,114,683 | 200,211 | 276,460 | 476,671 |
| Net assets, end of year | \$ 344,708 | \$ 682,527 | \$ 1,027,235 | \$ 365,437 | \$ 749,246 | \$ 1,114,683 |

See notes to financial statements

Pet Community Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2022

| | Program services | Supporting services | | | Total expenses |
|-------------------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | | Management and general | Fundraising | Total | |
| Payroll expenses | \$ 923,229 | \$ 79,645 | \$ 215,419 | \$ 295,064 | \$ 1,218,293 |
| Cost of goods sold | 228,954 | - | - | - | 228,954 |
| Advertising and marketing | 1,040 | - | 3,200 | 3,200 | 4,240 |
| Bad debt expense | 7,713 | - | - | - | 7,713 |
| Bank and credit card fees | 14,474 | 244 | 3,328 | 3,572 | 18,046 |
| Contract services | 1,900 | 33,380 | - | 33,380 | 35,280 |
| Depreciation | 13,497 | - | - | - | 13,497 |
| Facilities and maintenance | 70,561 | 28,241 | - | 28,241 | 98,802 |
| Office supplies | 79,035 | 319 | 727 | 1,046 | 80,081 |
| Other expenses | - | 2,909 | 225 | 3,134 | 3,134 |
| Postage and shipping | 2,466 | 73 | 2,011 | 2,084 | 4,549 |
| Printing and copying | 2,101 | - | 633 | 633 | 2,734 |
| Program supplies and expenses | 7,824 | - | - | - | 7,824 |
| Rabies licenses | 35,856 | - | - | - | 35,856 |
| Recruitment | 2,759 | - | - | - | 2,759 |
| Registration fees | 2,598 | 137 | - | 137 | 2,735 |
| Special events | - | - | 47,833 | 47,833 | 47,833 |
| Subscriptions | 3,372 | 6,090 | 6,503 | 12,593 | 15,965 |
| Telephone and communications | 5,579 | 923 | 294 | 1,217 | 6,796 |
| Travel and meetings | 1,013 | 2,516 | 335 | 2,851 | 3,864 |
| | \$ 1,403,970 | \$ 154,477 | \$ 280,508 | \$ 434,985 | \$ 1,838,955 |

Pet Community Center, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2021

| | Program services | Supporting services | | | Total expenses |
|-------------------------------|---------------------|------------------------|-------------------|-------------------|---------------------|
| | | Management and general | Fundraising | Total | |
| Payroll expenses | \$ 871,233 | \$ 78,637 | \$ 212,452 | \$ 291,089 | \$ 1,162,322 |
| Cost of goods sold | 278,634 | - | - | - | 278,634 |
| Advertising and marketing | 140 | 491 | 3,345 | 3,836 | 3,976 |
| Bad debt expense | 495 | - | - | - | 495 |
| Bank and credit card fees | 15,177 | 298 | 3,388 | 3,686 | 18,863 |
| Contract services | 1,029 | 32,605 | - | 32,605 | 33,634 |
| Depreciation | 10,594 | - | - | - | 10,594 |
| Facilities and maintenance | 61,313 | 28,058 | - | 28,058 | 89,371 |
| Office supplies | 27,200 | 2,367 | 905 | 3,272 | 30,472 |
| Other expenses | 684 | 5,196 | 27 | 5,223 | 5,907 |
| Postage and shipping | 2,991 | 24 | 2,586 | 2,610 | 5,601 |
| Printing and copying | 1,373 | - | 923 | 923 | 2,296 |
| Program supplies and expenses | 4,574 | - | - | - | 4,574 |
| Rabies licenses | 40,544 | - | - | - | 40,544 |
| Recruitment | 399 | 808 | - | 808 | 1,207 |
| Registration fees | 1,619 | 367 | - | 367 | 1,986 |
| Special events | - | - | 25,681 | 25,681 | 25,681 |
| Subscriptions | 4,513 | 2,929 | 3,443 | 6,372 | 10,885 |
| Telephone and communications | 6,496 | 891 | 300 | 1,191 | 7,687 |
| Travel and meetings | 1,211 | 3,324 | 112 | 3,436 | 4,647 |
| | \$ 1,330,219 | \$ 155,995 | \$ 253,162 | \$ 409,157 | \$ 1,739,376 |

Pet Community Center, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

| | 2022 | 2021 |
|--|-------------------|-------------------|
| Cash and restricted cash, beginning of year | \$ 443,578 | \$ 531,182 |
| Cash flows from operating activities | | |
| Change in net assets | (87,448) | 638,012 |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities: | | |
| Bad debt expense | 7,713 | 495 |
| Contributions for capital campaign | (500) | (23,895) |
| Depreciation | 13,497 | 10,594 |
| Change in: | | |
| Accounts receivable | 36,214 | (66,172) |
| Grants receivable | (33,900) | 22,750 |
| Contributions receivable, net | 100,500 | (446,950) |
| Inventory | 5,243 | 27,274 |
| Prepaid expenses | (5,537) | - |
| Security deposit | (7,291) | (810) |
| Accounts payable | 7,962 | (6,647) |
| Accrued expenses | <u>(1,549)</u> | <u>11,965</u> |
| Net cash provided (used) by operating activities | 34,904 | 166,616 |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (252,281) | (3,962) |
| Cash flows from financing activities | | |
| Proceeds received from contributions restricted for capital campaign | 500 | 23,895 |
| PPP loan forgiveness | <u>-</u> | <u>(274,153)</u> |
| Net cash provided (used) by financing activities | 500 | (250,258) |
| Net change in cash and restricted cash | <u>(216,877)</u> | <u>(87,604)</u> |
| Cash and restricted cash, end of year | \$ 226,701 | \$ 443,578 |
| Reconciliation to statements of financial position | | |
| Cash | \$ 73,674 | \$ 224,332 |
| Restricted cash | 33,300 | 4,192 |
| Cash restricted for capital campaign | <u>119,727</u> | <u>215,054</u> |
| | \$ 226,701 | \$ 443,578 |
| Supplemental disclosure of cash flow information | | |
| Operating lease right-of-use assets obtained in exchange for new lease obligations | \$ 332,008 | \$ - |

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

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 targeted at underserved and low-income populations to ensure equity in pet ownership. The spay/neuter program is designed to address the issue of pet homelessness and shelter euthanasia in Middle Tennessee. The wellness clinic provides low-cost, walk-in services for pets, including vaccines, and preventive medicine. The goal of the wellness 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 wellness clinic also serves as an outreach program to share information about spay/neuter with pet owners. The Organization also offers several outreach programs that make spay/neuter surgery, pet food, and medical care and supplies more affordable and accessible to animals and families throughout Davidson County.

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.

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

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.

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 and Equipment

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.

Leases (New Accounting Standard Adopted in 2022)

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Codification (ASC) Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset, representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on January 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classifications, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient and, therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Leases (New Accounting Standard Adopted in 2022)

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract, and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to use the risk-free rate as the discount rate if the rate implicit in the lease is not readily determinable. The risk free rate is the rate of a zero coupon US Treasury instrument for the same period of time as the lease term.

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, 2022 and 2021

Note 2. Summary of Significant Accounting Policies

Contributed Nonfinancial Assets (New Accounting Standard Adopted in 2022)

Contributed nonfinancial 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 and marketing

The Organization expenses all advertising and marketing costs as they are incurred.

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 |
|------------------------------|-----------------------------|
| Advertising and marketing | Time and effort |
| Bank and credit card fees | Time and effort |
| Contract services | Time and effort |
| Depreciation | Square footage |
| Facilities and maintenance | Square footage |
| 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, 2022 and 2021

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. The Organization has elected to treat the PPP loan as a conditional contribution.

Note 3. Liquidity and Availability

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

| | 2022 | 2021 |
|---|------------------|-------------------|
| Financial assets | | |
| Cash and restricted cash | \$ 226,701 | \$ 443,578 |
| Accounts receivable | 23,569 | 67,496 |
| Grants receivable | 36,150 | 2,250 |
| Contributions receivable, net | <u>429,500</u> | <u>530,000</u> |
| Total financial assets | 715,920 | 1,043,324 |
| Less amounts not available to be used within one year | | |
| Net assets with donor restrictions | 682,527 | 749,246 |
| Less net assets with purpose restrictions to be met in less than a year | <u>(33,300)</u> | <u>(4,192)</u> |
| | <u>649,227</u> | <u>745,054</u> |
| Financial assets available to meet cash needs for general expenditures over the next 12 months | \$ 66,693 | \$ 298,270 |

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:

| | 2022 | 2021 |
|--------------------|-------------------|-------------------|
| Less than one year | \$ 110,583 | \$ 110,833 |
| Over one year | <u>318,917</u> | <u>419,167</u> |
| | \$ 429,500 | \$ 530,000 |

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 5. Property and Equipment

Property and equipment consist of the following:

| | 2022 | 2021 |
|--------------------------------|-------------------|------------------|
| Clinic equipment | \$ 206,189 | \$ 186,880 |
| Leasehold improvements | 207,159 | 38,766 |
| Office furniture and equipment | 4,957 | 4,957 |
| Vehicles | <u>121,565</u> | <u>111,881</u> |
| | 541,932 | 342,484 |
| Less: accumulated depreciation | <u>(209,291)</u> | <u>(250,689)</u> |
| | \$ 330,579 | \$ 91,795 |

Note 6. Accrued Expenses

Accrued expenses consist of the following:

| | 2022 | 2021 |
|--------------------------------------|------------------|------------------|
| Credit card payable | \$ 21,487 | \$ 22,419 |
| Accrued payroll and related benefits | <u>42,910</u> | <u>43,527</u> |
| | \$ 64,397 | \$ 65,946 |

Note 7. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

| | 2022 | 2021 |
|-------------------------------|-------------------|-------------------|
| Spay/neuter/various surgeries | \$ 31,800 | \$ 4,192 |
| General programs | 1,500 | - |
| Capital campaign | <u>649,227</u> | <u>745,054</u> |
| | \$ 682,527 | \$ 749,246 |

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 8. Leases

The Company leases real estate under an operating lease agreement that has a term of five years. The Company's operating lease generally does not contain any material restrictive covenants or residual value guarantees.

Operating lease cost is recognized on a straight-line basis over the lease term. Payments on the lease began in January 2023 and there were no operating lease costs in 2022 related to long-term leases. Total rent expense for operating leases was \$78,454 for the year ended December 31, 2021.

Supplemental statement of financial position information related to leases is as follows as of December 31, 2022:

| | |
|---|-------------------|
| Operating lease | |
| Operating lease right-of-use assets | \$ 332,008 |
| Operating lease liabilities, current portion | \$ 57,267 |
| Operating lease liabilities, net of current portion | <u>274,741</u> |
| Total operating lease liabilities | \$ 332,008 |
| Weighted-average remaining lease term | 5.00 years |
| Weighted-average discount rate | 3.00% |

Future undiscounted cash flows for the next five years and thereafter, and a reconciliation to the lease liabilities recognized on the statement of financial position are as follows as of December 31, 2022:

| Years ending December 31, | Operating Leases |
|--|---------------------|
| 2023 | \$ 66,444 |
| 2024 | 68,412 |
| 2025 | 70,500 |
| 2026 | 72,624 |
| 2027 | 81,055 |
| Less imputed interest | <u>(27,027)</u> |
| Total present value of lease liabilities | \$ 332,008 |

Future minimum lease commitments, as determined under Topic 840, for all noncancelable leases are as follows as of December 31, 2021:

| Years ending December 31, | Operating Leases |
|------------------------------|---------------------|
| 2022 | \$ 25,788 |

Pet Community Center, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2022 and 2021

Note 9. Concentrations

As of December 31, 2022 and 2021, approximately 82% and 93% of accounts, grants, and contributions receivable were receivable from one and two contributors, respectively.

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, 2022, 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. The Organization has elected to treat the PPP loan as a conditional contribution in the financial statements in 2021.

On June 25, 2021, the Organization received full forgiveness of the loan and recognized contribution revenue in the amount of \$274,153 on the statement of activities for 2021.

Note 12. Subsequent Events

Management has evaluated subsequent events through November 8, 2023, the date on which the financial statements were available for issuance.

In 2022, the Company filed for refund claims totaling approximately \$543,000 in relation to the 2021 Employee Retention Credit available under the CARES act. The Company received these funds in 2023 and plans to recognize the credits in 2023.