

First Coast No More Homeless Pets, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2022 and 2021



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Independent Auditor's Report

Board of Directors
First Coast No More Homeless Pets, Inc.
Jacksonville, FL

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of First Coast No More Homeless Pets, Inc. which comprises the statements of financial position as of September 30, 2022 and 2021, and 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 First Coast No More Homeless Pets, Inc. as of September 30, 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 Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of 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 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 of financial statements that are free of 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 First Coast No More Homeless Pets, Inc.'s ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibility 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.

FORVIS

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 First Coast No More Homeless Pets, Inc.'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 First Coast No More Homeless Pets, Inc.'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.

FORVIS,LLP

January 30, 2023
Jacksonville, FL

First Coast No More Homeless Pets, Inc.
Statements of Financial Position
September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,276,540	\$ 1,389,852
Accounts receivable, net	270,924	319,716
Pledges receivable, current	5,000	5,000
Investments	39,784	-
Other assets	24,689	34,843
Inventory	69,104	80,947
Total current assets	<u>1,686,041</u>	<u>1,830,358</u>
Bequests receivable	<u>28,552</u>	<u>128,552</u>
Pledges receivable, long-term	<u>15,000</u>	<u>20,000</u>
Property and equipment:		
Land	68,750	68,750
Buildings and improvements	3,558,517	3,333,723
Machinery and equipment	875,650	829,994
Furniture and fixtures	99,718	94,426
Vehicles	68,856	68,856
	<u>4,671,491</u>	<u>4,395,749</u>
Accumulated depreciation	<u>(1,758,490)</u>	<u>(1,630,615)</u>
Total property and equipment	<u>2,913,001</u>	<u>2,765,134</u>
Total assets	<u>\$ 4,642,594</u>	<u>\$ 4,744,044</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 168,947	\$ 374,618
Notes payable, current	<u>225,439</u>	<u>223,030</u>
Total current liabilities	394,386	597,648
Notes payable, net of current	<u>1,867,684</u>	<u>2,110,469</u>
Total liabilities	<u>2,262,070</u>	<u>2,708,117</u>
Net assets:		
Without donor restrictions	1,313,384	1,814,285
With donor restrictions	<u>1,067,140</u>	<u>221,642</u>
Total net assets	<u>2,380,524</u>	<u>2,035,927</u>
Total liabilities and net assets	<u>\$ 4,642,594</u>	<u>\$ 4,744,044</u>

See accompanying notes.

First Coast No More Homeless Pets, Inc.
Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Program service fees	\$ 5,672,959	\$ -	\$ 5,672,959
Contributions	501,332	252,919	754,251
In-kind contributions	400,679	-	400,679
Grants	40,411	1,067,471	1,107,882
Special events	21,288	-	21,288
Net assets released from restrictions	474,892	(474,892)	-
	<u>7,111,561</u>	<u>845,498</u>	<u>7,957,059</u>
Total revenue and support			
Expenses:			
Program services:			
Animal protection and care	6,657,183	-	6,657,183
Supporting services:			
General and administrative	547,336	-	547,336
Fundraising	463,731	-	463,731
	<u>7,668,250</u>	<u>-</u>	<u>7,668,250</u>
Total expenses			
Change in net assets from operating activities	<u>(556,689)</u>	<u>845,498</u>	<u>288,809</u>
Nonoperating activities:			
Miscellaneous	2,471	-	2,471
Investment income (loss)	(36,683)	-	(36,683)
Insurance proceeds	90,000	-	90,000
	<u>55,788</u>	<u>-</u>	<u>55,788</u>
Total nonoperating activities			
Change in net assets from nonoperating activities	<u>55,788</u>	<u>-</u>	<u>55,788</u>
Change in net assets	<u>(500,901)</u>	<u>845,498</u>	<u>344,597</u>
Net assets, beginning of year	<u>1,814,285</u>	<u>221,642</u>	<u>2,035,927</u>
Net assets, end of year	<u>\$ 1,313,384</u>	<u>\$ 1,067,140</u>	<u>\$ 2,380,524</u>

See accompanying notes.

First Coast No More Homeless Pets, Inc.
Statement of Activities
Year Ended September 30, 2021

(Continued)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Program service fees	\$ 6,450,866	\$ -	\$ 6,450,866
Contributions	528,010	519,213	1,047,223
In-kind contributions	717,085	-	717,085
Grants	1,089,080	-	1,089,080
Special events	20,770	-	20,770
Net assets released from restrictions	297,571	(297,571)	-
Total revenue and support	9,103,382	221,642	9,325,024
Expenses:			
Program services:			
Animal protection and care	7,703,693	-	7,703,693
Supporting services:			
General and administrative	552,990	-	552,990
Fundraising	430,123	-	430,123
Total expenses	8,686,806	-	8,686,806
Change in net assets from operating activities	416,576	221,642	638,218
Nonoperating activities:			
Miscellaneous	1,548	-	1,548
Insurance proceeds	450,854	-	450,854
Total nonoperating activities	452,402	-	452,402
Change in net assets from nonoperating activities	452,402	-	452,402
Change in net assets	868,978	221,642	1,090,620
Net assets, beginning of year	945,307	-	945,307
Net assets, end of year	\$ 1,814,285	\$ 221,642	\$ 2,035,927

See accompanying notes.

First Coast No More Homeless Pets, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022

	Program Expense		Supporting Services			Total
	Animal Protection and Care	General and Administrative	Fundraising	Subtotal		
Personnel:						
Salaries	\$ 3,450,231	\$ 289,928	\$ 265,681	\$ 555,609	\$ 4,005,840	
Payroll taxes and benefits	515,942	27,849	29,770	57,619	573,561	
Total personnel expenses	3,966,173	317,777	295,451	613,228	4,579,401	
Advertising	4,522	-	2,213	2,213	6,735	
Automotive expenses	10,956	-	-	-	10,956	
Bank service charges	91,524	152	6,978	7,130	98,654	
Computer expense	92,633	7,915	21,801	29,716	122,349	
Direct mail	-	-	72,174	72,174	72,174	
Dues and subscriptions	10,201	-	3,118	3,118	13,319	
Insurance	-	41,144	-	41,144	41,144	
Interest expense	69,669	-	1,370	1,370	71,039	
Licenses and permits	114,780	625	-	625	115,405	
Miscellaneous	2,979	1,496	588	2,084	5,063	
Office supplies	10,416	1,022	1,573	2,595	13,011	
Postage and delivery	400	265	1,754	2,019	2,419	
Printing and reproduction	35,401	768	8,322	9,090	44,491	
Professional fees	26,166	140,599	1,013	141,612	167,778	
Program supplies	1,910,139	27	-	27	1,910,166	
Rent	-	3,000	-	3,000	3,000	
Repairs and maintenance	37,419	5,648	-	5,648	43,067	
Special event expenses	-	-	11,117	11,117	11,117	
Training	3,661	-	-	-	3,661	
Utilities	166,500	16,578	22,348	38,926	205,426	
Total expenses before non-cash expenses	6,553,539	537,016	449,820	986,836	7,540,375	
Depreciation	103,644	10,320	13,911	24,231	127,875	
Total expenses	\$ 6,657,183	\$ 547,336	\$ 463,731	\$ 1,011,067	\$ 7,668,250	

See accompanying notes.

First Coast No More Homeless Pets, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

(Continued)

	Program Expense		Supporting Services			Total
	Animal Protection and Care	General and Administrative	Fundraising	Subtotal		
Personnel:						
Salaries	\$ 3,817,208	\$ 343,976	\$ 259,777	\$ 603,753	\$ 4,420,961	
Payroll taxes and benefits	481,088	36,277	31,595	67,872	548,960	
Total personnel expenses	4,298,296	380,253	291,372	671,625	4,969,921	
Advertising	5,610	-	2,087	2,087	7,697	
Automotive expenses	10,469	-	-	-	10,469	
Bank service charges	138,036	-	7,711	7,711	145,747	
Computer expense	80,002	7,100	18,794	25,894	105,896	
Direct mail	-	-	55,925	55,925	55,925	
Dues and subscriptions	13,036	-	1,968	1,968	15,004	
Insurance	-	28,745	-	28,745	28,745	
Interest expense	104,444	-	2,062	2,062	106,506	
Licenses and permits	129,628	767	-	767	130,395	
Miscellaneous	3,981	4,089	360	4,449	8,430	
Office supplies	7,518	1,733	1,181	2,914	10,432	
Postage and delivery	475	258	2,232	2,490	2,965	
Printing and reproduction	36,979	755	6,613	7,368	44,347	
Professional fees	15,461	91,895	3,487	95,382	110,843	
Program supplies	2,548,270	-	-	-	2,548,270	
Rent	-	2,500	-	2,500	2,500	
Repairs and maintenance	34,105	5,194	-	5,194	39,299	
Training	7,869	167	-	167	8,036	
Utilities	163,583	17,926	22,051	39,977	203,560	
Total expenses before non-cash expenses	7,597,762	541,382	415,843	957,225	8,554,987	
Depreciation	105,931	11,608	14,280	25,888	131,819	
Total expenses	<u>\$ 7,703,693</u>	<u>\$ 552,990</u>	<u>\$ 430,123</u>	<u>\$ 983,113</u>	<u>\$ 8,686,806</u>	

See accompanying notes.

First Coast No More Homeless Pets, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	\$ 344,597	\$ 1,090,620
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	127,875	131,819
Loss on disposal of property and equipment	-	113
Securities contributed	(320,190)	-
Unrealized loss on investments	36,683	-
Forgiveness of Paycheck Protection Program loan	-	(984,400)
Allowance for doubtful accounts	35,000	-
Net changes in:		
Accounts receivable	13,792	363,845
Pledges receivable	5,000	8,439
Bequests receivable	100,000	(128,552)
Other assets	10,154	(3,303)
Inventory	11,843	2,826
Accounts payable and accrued expenses	(205,671)	6,865
Deferred revenue	-	(192,592)
Net cash provided by operating activities	<u>159,083</u>	<u>295,680</u>
Cash flows from investing activities:		
Purchases of fixed assets	(275,742)	(37,780)
Sales of investments	243,723	-
Net cash used in investing activities	<u>(32,019)</u>	<u>(37,780)</u>
Cash flows from financing activities:		
Principal payments on notes payable	(240,376)	(361,381)
Net decrease in cash and cash equivalents	(113,312)	(103,481)
Cash and cash equivalents, beginning of period	<u>1,389,852</u>	<u>1,493,333</u>
Cash and cash equivalents, end of period	<u>\$ 1,276,540</u>	<u>\$ 1,389,852</u>
Supplementary Information		
Cash paid for interest	<u>\$ 71,039</u>	<u>\$ 106,506</u>
Supplemental disclosure of noncash financing and investing activities:		
Forgiveness of Paycheck Protection Program loan	<u>\$ -</u>	<u>\$ 984,400</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

First Coast No More Homeless Pets, Inc. (the "Organization"), a non-profit organization dedicated to the welfare of animals, was organized in Jacksonville, Florida in 2002. The mission of the Organization is to make veterinary care affordable and accessible to all as we save lives by keeping dogs and cats in homes and out of shelters, provide low-cost spay/neuter services with emphasis on feral/community cats, and deliver a broad range of related programs and services. The major sources of income are derived from service revenue, public contributions, and grants.

Basis of accounting

The financial statements, which are presented on the accrual basis of accounting, have been prepared to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Basis of presentation

Net assets and revenue, gains, expenses and losses are required to be classified as without or with donor restrictions based upon the following criteria:

1. Net assets without donor restrictions represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
2. Net assets with donor restrictions consist of contributed funds subject to specific donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Accounts receivable

Accounts receivable mainly represent fees for service related to veterinary care. Management evaluates accounts receivable for collectability and includes in the allowance for doubtful accounts an estimate of losses to be sustained. Uncollectible amounts are charged against the allowance account when management determines the possibility of collection is remote.

Inventory

Inventories are stated at the lower of cost or net realizable value on the first-in, first-out method. Inventory is counted once a month and adjusted to actual.

Bequests receivable

The Organization has a one-third beneficiary interest in an estate. The bequest receivable is valued at the estimated fair market value of the property held by the estate. The majority of the underlying assets held by the estate are liquid.

First Coast No More Homeless Pets, Inc.
Notes to Financial Statements

Investment valuation and income recognition

Investments are recorded at fair value. The fair value of investments is based on the last sales price on the valuation date for those securities traded on national securities exchanges. For securities traded over the counter, the last bid price is used. Realized and unrealized gains or losses are determined by comparison of cost to either proceeds received from sales or market values.

Purchases and sales of securities are recorded on a trade-date basis. Investment income is recorded when earned. Dividends are recorded on the ex-dividend date.

Fair value measurements

Generally accepted accounting principles in the United States of America ("GAAP") define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

Property and equipment

Property and equipment are recorded at cost or if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives. The useful lives used for depreciation range from five years to forty years.

Contributions and grants

Contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated assets are placed in service.

The Organization recognizes revenue for certain donated services and other in-kind contributions received at fair value as of the date of the gift.

Contract revenue - program service fees

The Organization's program services fees consist of surgery and veterinary procedures performed primarily on dogs and cats. These revenues are recognized at a point in time based on the transfer of control. Revenue consists of performance obligations satisfied within one year or less. In addition, the Organization's contracts do not contain variable consideration and contract modifications are generally minimal.

Functional expense allocation

The costs of providing program, management and general and fundraising activities have been summarized on a functional basis in the statements of activities and the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Other expenses are allocated based on management's estimate of the benefit derived from each activity.

Concentrations of credit risk

Cash and cash equivalents consist of cash on deposit in banks and cash invested in liquid asset trust funds with initial maturities of three months or less. The Organization periodically maintains bank deposits in excess of the Federal Deposit Insurance Corporation limit.

Income taxes

The Organization is recognized by the Internal Revenue Service as a nonprofit under Section 501(c) (3) of the Internal Revenue Code; accordingly the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and, (3) the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain amounts from the prior year statements have been reclassified to conform to the current year presentation. The most significant reclassification relates to direct mail revenues reclassified from special events to contributions.

Adoption of new accounting standards

Contributed nonfinancial assets

During 2022, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, Not-For-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The ASU requires the Organization to present gifts-in-kind as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. The ASU also requires additional disclosures related to contributed nonfinancial assets. The additional disclosure requirements include disclosing the Organization’s policy about monetizing rather than utilizing contributed nonfinancial assets, description of any donor-imposed restrictions associated with the contributed nonfinancial asset, description of the valuation techniques and inputs used to arrive at a fair value measure of contributed nonfinancial assets, and to disclose the principal market (or most advantageous market) used to arrive at a fair value measure if it is a market in which the recipient organization is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets.

Subsequent events

In preparing these financial statements, the Organization evaluated events and transactions for potential recognition or disclosure through January 30, 2023, the date the financial statements were available for issuance.

2. Availability of Financial Assets

The following reflects the Organization’s financial assets as of the financial position date reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date.

First Coast No More Homeless Pets, Inc.
Notes to Financial Statements

Financial assets at September 30, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,276,540	\$ 1,389,852
Accounts receivable, net	270,924	319,716
Pledges receivable	5,000	5,000
Investments	<u>39,784</u>	<u>-</u>
	1,592,248	1,714,568
Those unavailable for general expenditures within one year due to: Net assets with donor restrictions	<u>(1,067,140)</u>	<u>(221,642)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 525,108</u>	<u>\$ 1,492,926</u>

The Organization is substantially supported by program services fees. The Organization also receives contributions and grants from individuals and businesses. The Organization also has significant degree of flexibility and discretion to manage its costs based on its revenue from program fees, contributions, and grants. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. At September 30, 2022 and 2021, the Organization had \$700,000 of board designated funds which were established to ensure the financial stability of the Organization and may be drawn upon as needed with the approval of the board.

3. Accounts Receivable

At September 30, 2022 and 2021, respectively, accounts receivable consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable, gross	\$ 305,924	\$ 319,716
Allowance for doubtful accounts	<u>(35,000)</u>	<u>-</u>
Accounts receivable, net	<u>\$ 270,924</u>	<u>\$ 319,716</u>

Management establishes an allowance for doubtful accounts based on historical loss experience, knowledge of specific customer situations, and current economic conditions. Losses are charged off when management deems collection to be remote.

First Coast No More Homeless Pets, Inc.
Notes to Financial Statements

4. Notes Payable

Long-term debt as of September 30, are as follows:

	<u>2022</u>	<u>2021</u>
Note payable to a bank, with a fixed interest rate at 3.95%; payable in monthly installments of \$2,809 through February 2031; secured by property.	\$ 241,831	\$ 266,532
Note payable to a bank, with a fixed interest rate at 3.95%; payable in monthly installments of \$9,383 through March 2031; secured by property.	803,569	883,417
Note payable to an organization, with a fixed interest rate at 4.0%; payable in monthly installments of \$2,025 through February 2021 and \$492 through April 2029; unsecured. This note was paid in full in March 2022.	-	29,360
Note payable to the City of Jacksonville, with a fixed interest rate at 3.0%; payable in monthly installments of \$914 through June 2034; secured by property.	108,812	116,297
Note payable to the City of Jacksonville, with a fixed interest rate at 3.0%; payable in monthly installments of \$2,851 through April 2032; secured by property.	284,931	310,883
Note payable to the U.S. Small Business Administration ("SBA"), with a fixed interest rate at 2.63%; payable in monthly installments of \$347 through January 2046; secured by property.	72,156	74,388
Note payable to the U.S. Small Business Administration ("SBA"), with a fixed interest rate at 2.50%; payable in monthly installments of \$347 through November 2032; secured by property.	247,587	268,857
Note payable to a board member, with a fixed interest rate at 4.25%; payable in monthly installments of \$2,780 through August 2023; secured by property.	83,114	112,274
Note payable to a board member, with a fixed interest rate at 4.25%; payable in monthly installments of \$2,059 through December 2024; secured by property.	91,123	111,491
Note payable to the U.S. Small Business Administration ("SBA"), with a fixed interest rate at 2.75%; payable in monthly installments of \$641 beginning January 2023 through June 2050; secured by property.	<u>160,000</u>	<u>160,000</u>
	2,093,123	2,333,499
Current maturities	<u>(225,439)</u>	<u>(223,030)</u>
	<u>\$ 1,867,684</u>	<u>\$ 2,110,469</u>

First Coast No More Homeless Pets, Inc.
Notes to Financial Statements

Maturities of long-term debt as of September 30, 2022 are as follows:

2023	\$	225,439
2024		223,573
2025		219,857
2026		208,738
2027		197,614
Thereafter		<u>1,017,902</u>
	<u>\$</u>	<u>2,093,123</u>

5. Paycheck Protection Program

In response to the COVID-19 pandemic, the Coronavirus Aid, Relief and Economic Security (CARES) Act provides for the establishment of the Paycheck Protection Program (PPP), a new loan program under the Small Business Administration’s 7(a) program providing loans to qualifying businesses. Additionally, loans originated under this program may be forgiven, in whole or in part, if certain criteria are met.

The Organization received \$984,400 under the PPP. The Organization believes that it was eligible under the PPP to receive the funds and asserted that it met the requirements under the program to have the loan forgiven. Therefore, management has concluded that the receipt of these funds represents a government grant. Accounting principles generally accepted in the United States of America do not provide explicit guidance on accounting for government grants provided to business entities. The Organization elected to account for the receipt of these funds as a government grant by analogy to ASC 958-605.

These funds were recognized as a refundable advance when received and classified in accordance with the scheduled maturity outlined in the PPP loan agreement assuming a ten-month deferral of payments from the end of the Organization’s covered period. Grant income under this method of accounting may only be recognized when the conditions attached to the grant have been substantially met. The Organization has fully utilized the proceeds of the loan for qualifying expenses under the PPP and the Organization’s covered period was closed as of the statement of financial position date. In January 2021, the Organization received notification from its lender and the SBA that its forgiveness application was approved. The Organization recognized \$984,400 as grant revenue on the statement of activities for the year ended September 30, 2021.

6. In-Kind Contributions

The Organization’s in-kind contributions consisted of the following during the year ended September 30:

	<u>2022</u>	<u>2021</u>
Pet food	\$ 295,290	\$ 650,022
Professional services	<u>105,389</u>	<u>67,063</u>
	<u>\$ 400,679</u>	<u>\$ 717,085</u>

First Coast No More Homeless Pets, Inc.
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Pet food contributions are valued at their retail price per pound based on the type of food contributed. Professional services are valued at their estimated service cost obtained from the service provider. Pet food contributions are reported as program supplies and professional services are recorded as professional fees on the statements of functional expenses. The pet food was used in carrying out the programs and the professional services consisted of information technology services and were reported as general and administrative expenses.

7. Related Parties

In a prior year, the Organization borrowed funds from a related party board member. During the years ended September 30, 2022 and 2021, the Organization made loan payments of \$49,528 and \$47,474 to related parties, respectively. As of September 30, 2022 and 2021, the Organization owed \$174,237 and \$223,765 to related parties, respectively. See Note 4 for terms of loans with the related party.

8. Net Assets Without Donor Restrictions

In June 2021, the Organization established a cash reserve fund and designated \$700,000 of its net assets to this reserve fund. The purpose of the fund is to ensure the long-term financial stability of the Organization and position it to respond to changes affecting the Organization’s financial position. As of September 30, 2022 and 2021, board designated net assets were \$700,000.

9. Net Assets With Donor Restrictions

Donor restricted net assets consist of the following purpose restricted programs at September 30:

	<u>2022</u>	<u>2021</u>
Petsmart Charities	\$ 150,000	\$ 17,399
Norwood Construction	624,333	30,000
Cassat Training Building	-	72,775
Cassat Animal Welfare Depot	35,000	35,000
Cat’s Angels	7,500	7,610
Doc Tony	1,291	404
Mental Health	31,180	-
Patterson Medical Supplies	-	13,667
Penn Foster Student Program	8,792	-
Rene’s Fund	11,744	15,212
Rosie’s Fund	131,725	-
Senior Pet Owners Charitable Care	25,000	-
Spay and Neuters	2,491	-
Volunteer Program	-	5,000
V-Tech Training	38,084	24,575
	<u>\$ 1,067,140</u>	<u>\$ 221,642</u>

10. Leases

The Organization leases equipment and parking spaces. These leases are month-to-month, with no minimum lease commitments extending beyond the current month.

Rental expense under the leases described above during the year ended September 30, 2022 and 2021 was \$25,907 and \$23,917, respectively, and is reported under printing and reproduction and rent expense on the statement of functional expenses.

11. Donated Services

Numerous volunteers have donated their time and have performed a variety of tasks that assist the Organization with specific assistance programs, campaign solicitations, and various committee assignments. The Organization received approximate volunteer hours of 5,466 and 4,729 in the 2022 and 2021 fiscal year, respectively. No amounts have been reflected in the financial statements for donated volunteer hours.

12. Defined Contribution Retirement Plan

The Organization sponsors a defined contribution retirement plan covering substantially all full-time permanent employees. Eligible employees may elect to defer up to 100% of compensation subject to federal limits. Employer contributions are determined at the Board of Directors' discretion. The plan may be terminated at any time without further obligation to the Organization. The Organization contributed \$36,983 for the year ending September 30, 2022. There was no employer contribution to the plan for the year ending September 30, 2021.

13. Concentrations

The Organization has two payors that represent approximately 58% of the Organization's accounts receivable at September 30, 2022. The Organization has one payor that represents approximately 45% of the Organization's accounts receivable at September 30, 2021.