

PETS FOR PATRIOTS, INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2021

PETS FOR PATRIOTS, INC.

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Skody Scot & Company, CPAs, P.C.

520 Eighth Avenue, Suite 2200, New York, NY 10018 • (T) 212-967-1100 • (F) 212-967-2002

www.skodyscot.com

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Pets For Patriots, Inc.

Opinion

We have audited the financial statements of Pets For Patriots, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pets For Patriots, Inc. as of December 31, 2021, and the changes in its net assets and its cash flows for the year 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 Pets For Patriots, Inc. 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 Pets For Patriots, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 could reasonably be expected to influence the judgement made by a reasonable user based on these 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 Pets For Patriots, 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 Pets For Patriots, 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.

New York, NY
May 31, 2022

Skody Scot & Company, CPAs, P.C.

**PETS FOR PATRIOTS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

ASSETS

Cash	\$ 150,055
Investments	566,283
Contributions and other receivables	9,105
Prepaid expenses	2,241
Property and equipment, net	1,601
Software and website, net	32,623
Total assets	\$ 761,908

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued expenses	\$ 22,586
Total liabilities	22,586
Commitments and contingencies (see notes)	
Net Assets:	
Without donor restrictions	721,703
With donor restrictions	17,619
Total net assets	739,322
Total liabilities and net assets	\$ 761,908

See accompanying notes to the financial statements.

**PETS FOR PATRIOTS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Contributions	\$ 421,787	\$ 5,518	\$ 427,305
Investment return	30,652	-	30,652
Net assets released from restriction:			
Satisfaction of purpose restrictions	10,269	(10,269)	-
Total support and revenues	<u>462,708</u>	<u>(4,751)</u>	<u>457,957</u>
Expenses:			
Program services	338,683	-	338,683
Supporting services:			
Management and general	62,863	-	62,863
Fundraising	11,554	-	11,554
Total expenses	<u>413,100</u>	<u>-</u>	<u>413,100</u>
Increase/(Decrease) in net assets	<u>49,608</u>	<u>(4,751)</u>	<u>44,857</u>
Net assets, beginning of year	<u>672,095</u>	<u>22,370</u>	<u>694,465</u>
Net assets, end of year	<u>\$ 721,703</u>	<u>\$ 17,619</u>	<u>\$ 739,322</u>

See accompanying notes to the financial statements.

**PETS FOR PATRIOTS, INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2021**

	Program Services	Supporting Services		Total Expenses
		Management and General	Fundraising	
Salaries	\$ 152,021	\$ 6,781	\$ 4,763	\$ 163,565
Payroll taxes	11,992	535	376	12,903
Employee benefits	13,403	598	420	14,421
Bad debt	-	5,526	-	5,526
Depreciation and amortization	4,367	230	-	4,597
Computer, website & information technology	57,839	3,213	3,213	64,265
Office expenses	10,738	20,605	598	31,941
Pet supplies and veterinarian subsidies	76,429	-	-	76,429
Printing	11,724	-	617	12,341
Professional fees	-	25,375	-	25,375
Program expenses - other	170	-	-	170
Promotion	-	-	1,567	1,567
Total expenses	<u>\$ 338,683</u>	<u>\$ 62,863</u>	<u>\$ 11,554</u>	<u>\$ 413,100</u>

See accompanying notes to the financial statements.

**PETS FOR PATRIOTS, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

Cash flows from operating activities:	
Increase/(decrease) in net assets	\$ 44,857
Adjustments for non-cash items included in operating activities:	
Bad debt	5,526
Depreciation and amortization	4,597
Investment (gains)/losses	(24,645)
Changes in assets and liabilities:	
Contributions and other receivables	54,362
Prepaid expenses	10,049
Accounts payable and accrued expenses	10,414
Refundable advance	(30,435)
Net cash provided/(used) by operating activities	<u>74,725</u>
Cash flows from investing activities:	
Software purchases	(36,701)
Investment purchases	(492,919)
Investment sales	487,549
Net cash provided/(used) by investing activities	<u>(42,071)</u>
Cash flows from financing activities	<u>-</u>
Net increase/(decrease) in cash	32,654
Cash, at beginning of year	<u>117,401</u>
Cash, at end of year	<u><u>\$ 150,055</u></u>

See accompanying notes to the financial statements.

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The Organization

Pets For Patriots, Inc. (the Organization), a not-for-profit organization, was incorporated in the State of New York on October 05, 2009. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements include any uncertain tax positions. The Organization primarily receives its support from contributions.

The mission of the Organization is to give the gifts of fidelity, joy, and love to veterans and pets through companion animal adoption. The Organization's major program services include: reducing the overall costs of pet guardianships to prevent veterans from returning their adopted pets to the shelter due to short-term financial hardship; providing ongoing support – moral, educational, and financial – to nurture the healing bonds between veterans and their adopted companion pets; and building a nationwide network of shelter/rescue and veterinary partners who share the same values and vision.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Receivables

Receivables that are expected to be collected within one year are recorded at their net realizable value. Receivables that are expected to be collected in future years are recorded at the present value of estimated future cash flows. All receivables are expected to be received within one year and as such have been stated at their net realizable value with no allowance for uncollectable receivables.

Investments

All marketable debt and equity securities, mutual funds and exchange traded funds are measured at fair value on a recurring basis and are reported at their fair values as of December 31, 2021, in the statement of financial position.

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Property, Equipment and Software

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation of equipment is computed by the straight-line method over the estimated useful life of five years. Website and software costs are amortized over a three-year period using the straight-line method. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose or for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries, payroll taxes and benefits, and consultants based on estimated time and effort. Other expenses, such as depreciation and amortization, computer, website and information technology, and printing are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, a noncash asset, or an unconditional promise to give is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions, if any, are reported as refundable advances in the statement of financial position. As of December 31, 2021, the Organization did not have any conditional contributions that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted for a purpose by the donor are reported as support with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as support without donor restrictions and increases in net assets without donor restrictions. When a restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions.

Investment income (interest and dividends) is recognized as revenue in the period earned, and gains and losses (realized and unrealized) are recognized in the period they occur.

During the years ended December 31, 2021 and 2020, the Organization received \$33,695 and \$30,435, respectively, of Paycheck Protection Program funds from the U.S. Small Business Administration (SBA). Management has determined that the correct model to follow is the grant model and has received confirmation from the SBA that the Organization has successfully met the conditions for both grants during the year ended December 31, 2021. Therefore, both amounts have been recognized as contributions on the statement of activities for the year ended December 31, 2021.

Note 2 - Investments

Investments consisted of the following at December 31, 2021:

Common stock	\$ 96,704
Exchange traded funds	<u>469,579</u>
Fair market value	566,283
Less: Cost	<u>(502,475)</u>
Unrealized appreciation/(depreciation)	\$ <u>63,808</u>

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, government debt securities, and certificates of deposit.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2021:

Level 1	\$ 566,283
Level 2	-
Level 3	-
	<u>\$ 566,283</u>

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 - Property and Equipment

Property and equipment consisted of the following at December 31, 2021:

Equipment	\$ 5,553
Less: Accumulated depreciation	<u>(3,952)</u>
	<u>\$ 1,601</u>

Note 5 - Software and Website

Software and website consisted of the following at December 31, 2021:

Software and website	\$ 104,714
Less: Accumulated amortization	<u>(72,091)</u>
	<u>\$ 32,623</u>

Note 6 - Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions are available as follows:

Veterinary care	\$ 17,619
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Note 7 - Concentrations

The Organization maintains its cash and investments with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts have exceeded the insured limits during the year ended December 31, 2021.

Note 8 - Related Party

During the year ended December 31, 2021, a member of the Organization's board of directors received \$95,259 in salary as compensation for services provided to the Organization as its Executive Director.

PETS FOR PATRIOTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 9 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

Financial assets:	
Cash	\$ 150,055
Investments	566,283
Receivables	<u>9,105</u>
Total financial assets	725,443
Less those unavailable for general expenditures within one year	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 725,443</u>

Note 10 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures and corrections through May 31, 2022, which is the date the financial statements were available to be issued.