



PETS FOR PATRIOTS, INC.

FINANCIAL STATEMENTS **DECEMBER 31, 2020 AND 2019**

PETS FOR PATRIOTS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Pets For Patriots, Inc.
Long Beach, New York

Report on the Financial Statements

We have audited the accompanying financial statements of Pets For Patriots, Inc. ("the Organization") (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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 of 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 Organization'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 Organization'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 Pets For Patriots, Inc. as of December 31, 2020, 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.



Emphasis of Matter – COVID-19 Outbreak

As further described in Note 9 to the financial statements, a global pandemic has been declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The extent and ultimate impact of COVID-19 on the Organization's operating and financial performance cannot be predicted at this time. Our opinion is not modified with respect to this matter.

Other Matter

The financial statements of the Organization as of and for the year ended December 31, 2019 were audited by MBAF CPAs, LLC ("MBAF"), whose partners and professional staff joined BDO USA, LLP as of January 16, 2021, and has subsequently ceased operations. MBAF expressed an unmodified opinion on those statements in their report dated May 13, 2020.

BDO USA, LLP

BDO USA, LLP
March 31, 2021

PETS FOR PATRIOTS, INC.
 STATEMENTS OF FINANCIAL POSITION
 DECEMBER 31, 2020 AND 2019

ASSETS	2020	2019
ASSETS:		
Cash	\$ 117,401	\$ 170,575
Investments	536,268	479,003
Contributions receivable	66,641	16,838
Other receivables	2,352	2,377
Prepaid expenses	12,290	12,290
Property and equipment, net	2,120	-
	<u>\$ 737,072</u>	<u>\$ 681,083</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and other liabilities	\$ 3,065	\$ 8,876
Credit card payable	9,107	13,310
Loan payable - Paycheck Protection Program	30,435	-
	<u>42,607</u>	<u>22,186</u>
NET ASSETS:		
Without donor restrictions	672,095	633,975
With donor restrictions	22,370	24,922
	<u>694,465</u>	<u>658,897</u>
	<u>\$ 737,072</u>	<u>\$ 681,083</u>

The accompanying notes are an integral part of the financial statements.

PETS FOR PATRIOTS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
Contributions	\$ 368,290	\$ 442,695
Investment income	36,303	44,504
Donated goods and services	40,075	39,952
Other income	-	25
	444,668	527,176
NET ASSETS RELEASED FROM RESTRICTIONS		
Net assets released from restrictions	11,788	11,845
TOTAL REVENUES, INCOME AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS		
	456,456	539,021
EXPENSES		
Program	349,039	384,180
Management and general	41,984	43,227
Fundraising	27,313	29,095
	418,336	456,502
CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS		
	38,120	82,519
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Contributions	9,236	15,866
Net assets released from restrictions	(11,788)	(11,845)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS		
	(2,552)	4,021
CHANGE IN NET ASSETS		
	35,568	86,540
NET ASSETS - BEGINNING OF YEAR		
	658,897	572,357
NET ASSETS - END OF YEAR		
	\$ 694,465	\$ 658,897

The accompanying notes are an integral part of the financial statements.

PETS FOR PATRIOTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Veterans' pet food bank program and veterinary care subsidies	\$ 89,709	\$ -	\$ -	\$ 89,709
Officer salary	81,972	4,554	4,554	91,080
Salaries	56,859	-	1,702	58,561
Payroll taxes and benefits	22,595	1,255	1,255	25,105
Development and fundraising	-	-	15,789	15,789
Printing and advertising	11,505	-	606	12,111
Office supplies and expenses	-	2,161	-	2,161
Computer and website	44,356	2,464	2,464	49,284
Professional fees	10,611	10,610	-	21,221
In-kind professional fees	20,038	20,037	-	40,075
Depreciation and amortization	200	67	209	476
Miscellaneous	11,194	836	734	12,764
TOTAL EXPENSES	<u>\$ 349,039</u>	<u>\$ 41,984</u>	<u>\$ 27,313</u>	<u>\$ 418,336</u>

The accompanying notes are an integral part of the financial statements.

PETS FOR PATRIOTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES				
Veterans' pet food bank program and veterinary care subsidies	\$ 107,233	\$ -	\$ -	\$ 107,233
Officer salary	76,140	4,230	4,230	84,600
Salaries	48,951	-	1,574	50,525
Payroll taxes and benefits	21,002	1,167	1,167	23,336
Development and fundraising	-	-	15,812	15,812
Printing and advertising	41,704	-	2,195	43,899
Office supplies and expenses	-	3,148	-	3,148
Travel and hotel	33	4	4	41
Computer and website	45,726	2,540	2,540	50,806
Professional fees	10,667	10,667	-	21,334
In-kind professional fees	19,976	19,976	-	39,952
Depreciation and amortization	877	292	919	2,088
Miscellaneous	11,871	1,203	654	13,728
TOTAL EXPENSES	\$ 384,180	\$ 43,227	\$ 29,095	\$ 456,502

The accompanying notes are an integral part of the financial statements.

PETS FOR PATRIOTS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 35,568	\$ 86,540
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	476	2,088
Realized loss (gain) on investments	1,063	(6,751)
Unrealized gain on investments	(31,389)	(30,775)
Changes in operating assets and liabilities:		
Contributions receivable	(49,803)	(3,263)
Other receivables	25	(25)
Prepaid expenses	-	3,373
Accounts payable and other liabilities	(5,811)	7,417
Credit card payable	(4,203)	(10,432)
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(54,074)</u>	<u>48,172</u>
Cash flows from investing activities:		
Proceeds from sale of investments	210,774	199,456
Purchase of investments	(237,713)	(202,280)
Purchase of property and equipment	(2,596)	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(29,535)</u>	<u>(2,824)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	30,435	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>30,435</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(53,174)	45,348
CASH, BEGINNING OF YEAR	<u>170,575</u>	<u>125,227</u>
CASH, END OF YEAR	<u>\$ 117,401</u>	<u>\$ 170,575</u>

The accompanying notes are an integral part of the financial statements.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

1. ORGANIZATION

Pets For Patriots, Inc. (the "Organization") is a nonprofit organization exempt from income tax under Section 501 (c)(3) of the United States Internal Revenue Code. The Organization's mission is to transform the lives of our veterans by helping them save an at-risk shelter dog or cat, to end animal homelessness in the United States and enrich the lives of the men and women who serve and have served our country. The Organization also provides access to additional cost reductions for veterinary services and pet basics.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

The classification of the Organization's net assets and its support, revenues, and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the two classes of net assets – with donor restrictions or without donor restrictions – be displayed in a statement of financial position and that the amount of change in each of those classes of net assets be displayed in a statement of activities. These classes are defined as follows:

Net Assets with Donor Restrictions consist of contributions and other inflows of assets whose use is subject to donor-imposed restrictions that are more specific than broad limits reflecting the nature of the not-for-profit entity, the environment in which it operates, and the purposes specified in its articles of incorporation or bylaws or comparable documents. Donor-imposed restrictions may be temporary in nature, such as stipulating that resources may be used only after a specified date or limited to specific programs or services. Certain donor-imposed restrictions are perpetual in nature. At December 31, 2020 and 2019, the Organization had no net assets with donor restrictions that are perpetual in nature.

Net Assets without Donor Restrictions consist of contributions and other inflows of assets whose use is not subject to donor-imposed restrictions and are, therefore, available for general operations.

Unconditional contributions without donor restrictions are recognized as revenue or support in changes in net assets without donor restrictions when received or promised. Contributions subject to donor restrictions are recognized as changes in net assets with donor restrictions. When a purpose restriction is satisfied or when a time restriction expires, the contribution is reported as net assets released from restrictions and is recognized in changes in net assets without donor restrictions.

Investments

Investments are recorded at fair value based upon quoted market prices. The related dividend and interest income are recorded as income without donor restrictions in the statements of activities.

Contributions Receivable

Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization has determined that no allowance for uncollectible receivables is necessary as of December 31, 2020 and 2019. Such determination is based on management's assessments of the creditworthiness of its contributors, the aged basis of its receivables, as well as current economic conditions and historical information.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. The Organization capitalizes all assets having a useful life of more than one year and a cost greater than \$500. Purchases below \$500 are expensed at the time of acquisition. Depreciation and amortization are calculated using a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to operations as incurred; additions and betterments are capitalized if these met the capitalization threshold.

Impairment of Long-Lived Assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed 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. 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 losses for the years ended December 31, 2020 and 2019.

Revenue Recognition

Transfers of cash or other assets or settlement of liabilities that are both voluntary and nonreciprocal are recognized as contributions. Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions.

Contributions may either be conditional or unconditional. A contribution is considered conditional when the donor imposes both a barrier and a right of return. Conditional contributions are recognized as revenue on the date all donor-imposed barriers are overcome or explicitly waived by the donor. Barriers may include specific and measurable outcomes, limitations on the performance of an activity and other stipulations related to the contribution. A donor has a right of return of any assets transferred or a right of release of its obligation to transfer any assets in the event the Organization fails to overcome one or more barriers. Assets received before the barrier is overcome are accounted for as refundable advances.

The Organization adopted Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) on January 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of adoption. The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. No adjustment to the Organization's 2019 beginning net assets was required as a result of adopting Topic 606.

The Organization applies Topic 606 to exchange transactions when applicable. All of the Organization's revenues for the year ended December 31, 2020 and 2019, which included contributions, in-kind contributions and investment income (loss), were from non-exchange transactions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis and by natural classification in the statements of activities. Expenses that can be directly identified with the program or supporting services to which they relate are charged accordingly. Certain expenses have been allocated among program and supporting service classifications using payroll allocations or based on benefits received.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donated Goods and Services

Donated goods and services are recorded as contributions in-kind, at their fair value, provided the goods and services received create or enhance non-financial assets, require specified skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. The Organization receives contributed goods and services that are an integral part of its operations. Total donated goods and services for the years ended December 31, 2020 and 2019 were \$40,075 and \$39,952, respectively.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. There was no unrelated business income for the years ended December 31, 2020 and 2019.

Under ASC 740, *Income Taxes*, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Organization has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Organization has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended December 31, 2020 and 2019, there were no interest or penalties recorded or included in the statements of activities. The Organization is subject to routine audits by a taxing authority. As of December 31, 2020, The Organization was not subject to any examination by a taxing authority.

Fair Value Measurements and Fair Value - Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Accounting standards establish a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring the most observable units be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about inputs used by market participants at the measurement date. The fair value hierarchy is categorized into three levels based on inputs as follows:

Level 1 - Valuation based on quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 - Valuation based on quoted prices for similar assets or liabilities in active markets; for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally or corroborated by observable market data by correlation or other means.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements and Fair Value - Definition and Hierarchy (Continued)

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Subsequent Events

The Organization has evaluated events through March 31, 2021, which is the date the financial statements were available to be issued. There were no subsequent events requiring adjustment to the financial statements or disclosures as a result of these procedures, except for the disclosure regarding the second draw of the PPP Loan. (See Note 6).

Recent Accounting Pronouncements

Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which amends guidance for not-for-profit entities that receive contributed nonfinancial assets. The update requires not-for-profits to present contributed nonfinancial assets as a separate line item in the statement of activities, and to disclose information regarding each type of contributed nonfinancial asset. The update is to be applied on a retrospective basis and is effective for annual reporting periods beginning after June 15, 2021, and for interim reporting periods beginning after June 15, 2022. The Organization is currently evaluating the effect the update will have on its financial statements.

3. INVESTMENTS

The valuation methodologies used to determine the fair values of assets and liabilities under the "exit price" notion reflect market-participant objectives and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Organization determines the fair values of certain financial assets based on quoted market prices.

Equity securities, corporate debt securities, U.S. Government and agency obligations, and mutual funds are recorded at fair value using quoted market prices.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Organization's investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with these investments, it is at least reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position and the statements of activities.

The following tables present by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2020 and 2019. As required by fair value measurement accounting standards, investments are classified in their entirety based upon the lowest level of input that is significant to the fair value measurement. The investments are all classified as net assets without donor restrictions.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

3. INVESTMENTS (CONTINUED)

	Fair Value on a Recurring Basis	Quoted Market Prices in Active Market for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>December 31, 2020</u>				
Equity securities	\$ 175,873	\$ 175,873	\$ -	\$ -
Corporate debt securities	205,957	205,957	-	-
U.S. Government and agency obligations	154,438	154,438	-	-
	\$ 536,268	\$ 536,268	\$ -	\$ -
<u>December 31, 2019</u>				
Equity securities	\$ 140,365	\$ 140,365	\$ -	\$ -
Corporate debt securities	175,071	175,071	-	-
U.S. Government and agency obligations	157,507	157,507	-	-
Mutual funds	6,060	6,060	-	-
	\$ 479,003	\$ 479,003	\$ -	\$ -

The aggregate cost basis, gross unrealized gains and losses, and fair market value of the stocks and mutual funds at December 31, 2020 and 2019 are as follows:

	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<u>December 31, 2020</u>				
Equity securities	\$ 128,370	\$ 47,503	\$ -	\$ 175,873
Corporate debt securities	197,932	8,025	-	205,957
U.S. Government and agency obligations	151,459	2,979	-	154,438
	\$ 477,761	\$ 58,507	\$ -	\$ 536,268
<u>December 31, 2019</u>				
Equity securities	\$ 118,224	\$ 22,141	\$ -	\$ 140,365
Corporate debt securities	172,922	2,149	-	175,071
U.S. Government and agency obligations	155,370	2,137	-	157,507
Mutual funds	5,369	691	-	6,060
	\$ 451,885	\$ 27,118	\$ -	\$ 479,003

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

3. INVESTMENTS (CONTINUED)

Investment activity for the years ended December 31, 2020 and 2019 is as follows:

<u>December 31,</u>	2020	2019
Investments, beginning of year	\$ 479,003	\$ 438,653
Purchase of investments	237,713	202,280
Sale of investments	(210,774)	(199,456)
Realized (loss) gain	(1,063)	6,751
Unrealized gain	31,389	30,775
Investments, end of year	\$ 536,268	\$ 479,003

4. LIQUIDITY MANAGEMENT AND AVAILABILITY OF RESOURCES

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization maintains, on average, \$90,000 in its checking account for general and recurring expenditures and obligations. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

<u>December 31,</u>	2020	2019
Cash	\$ 117,401	\$ 170,575
Investments	536,268	479,003
Contributions receivable	66,641	16,838
Other receivables	2,352	2,377
Total financial assets available within one year	722,662	668,793
Less: amounts unavailable for general expenditures within one year due to:		
Restricted by donors with purpose restrictions	22,370	24,922
Total financial assets available to management for general expenditures within one year	\$ 700,292	\$ 643,871

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

5. PROPERTY AND EQUIPMENT

At December 31, 2020 and 2019, property and equipment consists of the following:

	2020	2019	Useful Life
Equipment	\$ 5,552	\$ 2,956	5 years
Website and software	68,013	68,013	3 years
	73,565	70,969	
Less: accumulated depreciation and amortization	(71,445)	(70,969)	
	<u>\$ 2,120</u>	<u>\$ -</u>	

Depreciation and amortization expense for the years ended December 31, 2020 and 2019 amounted to \$476 and \$2,088, respectively.

6. LOAN PAYABLE - PAYCHECK PROTECTION PROGRAM

On April 7, 2020, the Organization entered into a Promissory Note ("First Draw Note") with a lending institution in the amount of \$30,435 pursuant to the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration ("SBA") as provided by the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act"). The Organization used the proceeds to support payroll costs, rent and utilities in accordance with the terms and conditions of the PPP. Under the terms of the PPP, all or a portion of the PPP loan may be forgiven.

The loan bears interest at a rate per annum of 1.00%. The term of the PPP loan is two years, maturing on April 7, 2022 (the "Maturity Date"). Payments of principal and interest are set to commence ten months after the end of the borrower's covered period at which time, the Organization is to pay equal monthly installments of principal and interest in the amount necessary to fully amortize the PPP loan through the Maturity Date, less any amount of potential forgiveness. Interest will accrue during the deferment period. Forgiveness will be determined based on the use of the PPP loan proceeds for payroll costs and other qualified business expenses. The Organization may also prepay the principal of the PPP loan at any time without incurring any prepayment penalty or premium.

The Promissory Note also provides for customary events of default, including, among others, events of default relating to failure to make payments, bankruptcy, breaches of representations, and material adverse effects. Additionally, the Promissory Note is subject to the terms and conditions applicable to loans administered by the SBA under the CARES Act. The Organization may also be subject to CARES Act specific lookbacks and audits that may be conducted by other federal agencies, including several oversight bodies created under the CARES Act.

On March 30, 2021, the Organization applied for loan forgiveness of the First Draw Note with its financial institution. While the Organization believes that PPP loan proceeds were used in a manner that would permit the PPP loan to be forgiven in full, no assurance can be provided that the Organization will obtain forgiveness of the PPP loan in whole or in part.

On February 12, 2021, the Organization entered into a second Promissory Note ("Second Draw Note") with the same lending institution in the amount of \$33,695 pursuant to the PPP. The Organization is using the proceeds to support payroll costs, rent and utilities in accordance with the terms and conditions of the PPP and expects to have the loan forgiven.

PETS FOR PATRIOTS, INC.

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

7. CONCENTRATIONS

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Organization received approximately 11% of its total revenue from one major grantor during each of the years ended December 31, 2020 and 2019, respectively.

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions of \$22,370 and \$24,922 were purpose-restricted for veterinary care at December 31, 2020 and 2019, respectively.

Net assets of \$11,788 and \$11,845 were released from donor restrictions by satisfying the restricted purpose during the years ended December 31, 2020 and 2019, respectively. These assets were restricted for the purpose of veterinary services.

9. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. While the pandemic is still ongoing, the Organization cannot reasonably estimate its length or severity. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization’s financial condition, liquidity, and future results of operations and cash flows. Management is actively monitoring the situation and the Organization believes it is taking appropriate actions to mitigate the negative impact.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (CARES) Act.” The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA PPP loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. As discussed in Note 6, the Organization applied for and received a first and second draw PPP loans in the amounts of \$30,435 and \$33,695, respectively that management expect will be fully or substantially forgiven.