

Financial Statements

PET ALLIANCE OF GREATER ORLANDO, INC.

June 30, 2020 and 2019

PET ALLIANCE OF GREATER ORLANDO, INC.

Financial Statements

June 30, 2020 and 2019

(With Independent Auditor's Report Thereon)

PET ALLIANCE OF GREATER ORLANDO, INC.

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SCHAFFER, TSCHOPP, WHITCOMB, MITCHELL & SHERIDAN, LLP

Certified Public Accountants

Michael R. Schafer, CPA
Thomas R. Tschopp, CPA
Tom V. Whitcomb, CPA

541 S. Orlando Avenue, Suite 312
Maitland, Florida 32751
(407) 875-2760

Joseph P. Mitchell, CPA
Stephen J. Sheridan, CPA
Daniel M. Hinson, CPA

Independent Auditor's Report

The Board of Directors
Pet Alliance of Greater Orlando, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Pet Alliance of Greater Orlando, Inc., which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also

includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pet Alliance of Greater Orlando, Inc. as of June 30, 2020 and 2019, 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.

Scharf, Tschoff, Whitcomb, Mitchell & Shulman, LLP

Maitland, Florida
September 2, 2020

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Financial Position

June 30, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current assets		
Cash and cash equivalents	\$ 1,700,853	1,183,604
Accounts receivable	3,130	-
Investments (note 4)	1,127,847	1,049,652
Bequests receivable (note 1)	175,000	-
Inventory	28,602	69,355
Prepaid expenses and other assets	108,190	84,114
Total current assets	3,143,622	2,386,725
Property and equipment, net (note 5)	2,874,042	3,032,857
Contribution receivable - split-interest agreement (note 3)	861,493	829,592
Beneficial interest in assets held by a foundation (note 6)	36,795	35,847
Total assets	<u>\$ 6,915,952</u>	<u>6,285,021</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	\$ 204,824	196,909
Accrued expenses	148,472	154,276
Deferred revenue	19,650	67,859
Paycheck protection program note payable (note 10)	188,046	-
Current portion of capital lease obligations (note 7)	-	2,859
Total current liabilities	560,992	421,903
Commitments (note 7)		
Net assets:		
Without donor restrictions	5,248,959	4,789,018
With donor restrictions (note 9)	1,106,001	1,074,100
Total net assets	6,354,960	5,863,118
Total liabilities and net assets	<u>\$ 6,915,952</u>	<u>\$ 6,285,021</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,386,916	-	3,386,916
Adoption and related fees	751,180	-	751,180
Merchandise sales	146,064	-	146,064
Investment income (loss), net	7,412	-	7,412
Other revenue	48,704	-	48,704
Public Support			
Donations and grants	2,201,124	-	2,201,124
Bequest income	300,151	-	300,151
Change in value of split interest agreement	-	31,901	31,901
Change in value of beneficial interest in assets held by a foundation	948	-	948
Special events	502,809	-	502,809
Less: direct benefit costs to donors	(148,824)	-	(148,824)
Total revenue and public support	<u>7,196,484</u>	<u>31,901</u>	<u>7,228,385</u>
Expenses:			
Program services	5,905,464	-	5,905,464
General administration	418,584	-	418,584
Fundraising and development	412,495	-	412,495
Total expenses	<u>6,736,543</u>	<u>-</u>	<u>6,736,543</u>
Change in net assets	459,941	31,901	491,842
Net assets at beginning of year	<u>4,789,018</u>	<u>1,074,100</u>	<u>5,863,118</u>
Net assets at end of year	<u>\$ 5,248,959</u>	<u>1,106,001</u>	<u>6,354,960</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statement of Activities

Year ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and public support:			
Revenue			
Public medical clinic	\$ 3,645,310	-	3,645,310
Adoption and related fees	756,532	-	756,532
Merchandise sales	151,124	-	151,124
Investment income (loss), net	46,823	-	46,823
Other revenue	55,445	-	55,445
Public Support			
Donations and grants	1,697,905	-	1,697,905
Bequest income	381,914	-	381,914
Change in value of split interest agreement	-	50,148	50,148
Change in value of beneficial interest in assets held by a foundation	1,949	-	1,949
Special events	411,108	-	411,108
Less: direct benefit costs to donors	<u>(105,224)</u>	<u>-</u>	<u>(105,224)</u>
Total revenue and public support	<u>7,042,886</u>	<u>50,148</u>	<u>7,093,034</u>
Expenses:			
Program services	6,448,174	-	6,448,174
General administration	345,723	-	345,723
Fundraising and development	<u>226,256</u>	<u>-</u>	<u>226,256</u>
Total expenses	<u>7,020,153</u>	<u>-</u>	<u>7,020,153</u>
Change in net assets	22,733	50,148	72,881
Net assets at beginning of year	<u>4,766,285</u>	<u>1,023,952</u>	<u>5,790,237</u>
Net assets at end of year	<u>\$ 4,789,018</u>	<u>1,074,100</u>	<u>5,863,118</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Functional Expenses

Years ended June 30, 2020 and 2019

	2020			2019			
	Program Services	General Administration	Fundraising and Development	Program Services	General Administration	Fundraising and Development	Total
Salaries and related expenses	\$ 3,678,895	349,774	259,195	3,782,932	290,240	131,231	4,204,403
Medical supplies	1,409,286	-	-	1,582,363	-	-	1,582,363
Shelter animal support costs	62,775	-	-	107,255	-	-	107,255
Shelter grant expenses	6,470	-	-	27,605	-	-	27,605
Summer camp expenses	3,108	-	-	8,813	-	-	8,813
Cost of resale merchandise	59,728	-	-	95,151	-	-	95,151
Utilities, security, trash and medical disposal	105,732	7,681	2,168	107,807	9,501	1,517	118,825
Repairs and maintenance	58,730	4,580	242	76,835	3,366	226	80,427
Insurance	83,510	3,905	3,439	79,470	2,060	1,666	83,196
Depreciation	200,514	4,135	2,068	200,053	4,125	2,062	206,240
Office supplies	3,173	2,691	588	11,666	1,074	357	13,097
Education supplies	-	-	-	3,344	-	-	3,344
Telephone expense	51,014	1,803	1,782	69,218	1,812	1,660	72,690
Equipment leasing and maintenance	32,617	17,215	-	43,401	295	419	44,115
Computer support and website costs	27,776	4,969	10,203	27,593	6,276	5,599	39,468
Direct mail campaigns and postage	951	479	97,022	39,587	704	37,789	78,080
Printing	2,051	1,198	532	10,618	1,204	2,767	14,589
Advertising	3,929	-	-	8,953	-	-	8,953
Bank charges and credit card fees	67,738	259	24,515	90,331	267	12,776	103,374
Dues, licenses and subscriptions	5,389	998	3,189	9,102	1,347	2,314	12,763
Professional fees	9,772	12,230	4,215	1,943	11,800	25,260	39,003
Travel costs, vehicle expense and repairs	20,427	4,651	95	23,076	8,846	159	32,081
Volunteer costs	3,103	-	-	10,521	-	-	10,521
Interest expense	12	-	-	2,722	-	-	2,722
Miscellaneous expenses	8,764	2,016	3,242	27,815	2,806	454	31,075
Total expenses	\$ 5,905,464	418,584	412,495	6,448,174	345,723	226,256	7,020,153

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Statements of Cash Flows

Years ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Change in net assets	\$ 491,842	72,881
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	206,717	206,240
Net unrealized (gains) losses on investments	31,231	(12,907)
Donated property and equipment	-	(134,445)
Change in operating assets and liabilities:		
Accounts receivable	(3,130)	-
Bequests receivable	(175,000)	68,508
Contribution receivable - split interest agreement	(31,901)	(50,148)
Inventory	40,753	5,353
Prepaid expenses and other assets	(24,076)	8,698
Beneficial interest in assets held by a foundation	(948)	(1,949)
Accounts payable	7,915	22,737
Accrued expenses	(5,804)	(7,701)
Deferred revenue	(48,209)	67,859
Net cash provided by operating activities	<u>489,390</u>	<u>245,126</u>
Cash flows from investing activities:		
Purchases of investments	(1,236,575)	(1,058,542)
Proceeds from sales of investments	1,127,149	796,264
Purchases of property and equipment	(47,902)	(122,845)
Net cash used in investing activities:	<u>(157,328)</u>	<u>(385,123)</u>
Cash flows from financing activities:		
Proceeds from payroll protection program loan	188,046	-
Repayment of capital lease obligations	(2,859)	(32,793)
Net cash provided by (used in) financing activities	<u>185,187</u>	<u>(32,793)</u>
Net increase (decrease) in cash and cash equivalents	517,249	(172,790)
Cash and cash equivalents at beginning of year	<u>1,183,604</u>	<u>1,356,394</u>
Cash and cash equivalents at end of year	<u>\$ 1,700,853</u>	<u>1,183,604</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 12</u>	<u>2,722</u>

See accompanying notes to financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies

(a) General

Pet Alliance of Greater Orlando, Inc. (the “Organization”) is a not-for-profit organization incorporated in Orange County, Florida. The Organization educates, shelters, places, and heals pets and their families with compassionate, responsible care maintained to the highest professional standards. The vision of the Organization is to create more caring communities by promoting happier, healthier pets and their families.

Pet Alliance of Greater Orlando currently services Orange, Osceola and Seminole counties with three locations and a mobile veterinary unit. Our focus is to create life-saving programs that reduce the number of homeless dogs and cats and identify solutions to end pet homelessness in Central Florida. Each year, more than 8,000 dogs and cats will be surrendered to our shelters. Additionally, our experienced veterinarians will help 40,000 pets through our clinics. Pet Alliance has achieved many successes since opening in 1937 and recently embarked on a strategic plan to increase the number of rental communities that accept all dogs regardless of breed and introduced a Community Cat initiative with a 5-year plan to reduce the number of unwanted kittens born and increase the number of cats that can be saved. Visit PetAllianceOrlando.org for more information.

(b) Basis of Presentation

The accompanying financial statements are presented on the accrual basis and represent the financial position and results of operations of the Organization.

The Organization has adopted the provisions of FASB Accounting Standards Codification Topic 958, Not-for-Profit Entities.

The Organization prepares its financial statements on an entity wide basis, focusing on the organization as a whole and presents balances and transactions according to the existence or absence of donor-imposed restrictions. Net assets and revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions---Net assets that are not subject to donor-imposed stipulations.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

- Net assets with donor restrictions---Some donors impose restrictions that are temporary in nature, for example, stipulating that resources be used after a specified date, for particular programs or services, or to acquire buildings or equipment. Other donor-imposed restrictions that are perpetual in nature, for example, stipulating that resources be maintained in perpetuity. Laws may extend those limits to investment returns from those resources and to other enhancements (diminishments) of those resources. Thus, those laws extend donor-imposed restrictions.

Under generally accepted accounting principles, contributions are generally recognized as revenue when the gift is made and are recorded as with or without donor restrictions, depending on the presence or absence and type of donor-imposed restrictions or conditions.

The Organization displays revenue in the following two natural classifications:

- Revenue---Fees earned for the performance of Organization services.
- Public Support---Unconditional gifts to the Organization of cash or other assets in a voluntary nonreciprocal transfer by another entity.

Revenue and public support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Expirations with donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted contributions, whose restrictions are met in the same reporting period, are reported as support without donor restrictions.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation (Continued)

Contributions, including unconditional promises to give, are recognized as revenue in the period made or received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets, materials, and facilities are recorded at their estimated fair value at the date of gift. Such values are recorded in the financial statements as an asset or expense and revenue. In addition, the Organization receives a significant amount of contributed time related to various program services and fundraising campaigns. These contributed services are recorded at their estimated fair value at the date of service if they meet the following criteria: (a) the services would have otherwise been purchased by the Organization, and (b) the services required specialized skills. For the years ended June 30, 2020 and 2019, contributed assets, materials, facilities and services amounted to approximately \$0 and \$236,051, respectively.

From time to time, the Organization is informed of intentions to give by prospective donors. Such expressions of intent are revocable and unenforceable. The ultimate value of these expressions has not been established nor have they been recognized in the accompanying financial statements.

(c) Property and Equipment

Property and equipment are stated at cost, or estimated market value at the date of receipt if donated, less accumulated depreciation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. All property expenditures in excess of \$2,000 are capitalized; maintenance and renewals are charged to expense as incurred.

(d) Inventories

Inventories consist of medical supplies and resale merchandise and are stated at the lower of cost or market. Cost is determined under the first-in, first-out method.

(e) Long-Lived Assets

The Organization follows the policy of lifting restrictions on contributions of cash and other assets received for the acquisition of long-lived assets when the long-lived assets are acquired.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(e) **Long-Lived Assets (Continued)**

In accordance with “Property, Plant and Equipment – Impairment or Disposal of Long-Lived Assets,” FASB Codification Topic 360-10 (Topic 360-10) long-lived assets, such as property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, the Organization first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market value and third-party independent appraisals, as considered necessary. No impairment charges have been recorded in the accompanying financial statements related to long-lived assets.

(f) **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(g) **Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, bank charges, and office and occupancy, which are both allocated on a square footage basis, as well as salaries and benefits, which are allocated on the basis of estimates of time and effort.

(h) **Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(i) Income Taxes

The Organization is exempt from federal income tax under provision of Section 501(c)(3) of the Internal Revenue Code. The Organization is not aware of any activities that would jeopardize its tax-exempt status or that are subject to tax on unrelated business income, excise or other taxes. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Consequently, no provision for income taxes has been included in the accompanying financial statements.

In accordance with “Income Taxes” FASB Accounting Standards Codification Topic 740 (Topic 740), all entities are required to evaluate and disclose income tax risks. Topic 740 clarifies the accounting for uncertainty in tax positions and prescribes guidance related to the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The tax benefit from an uncertain tax position is only recognized in the statement of financial position if the tax position is more likely than not to be sustained upon an examination, based on the technical merits of the position. Interest and penalties, if any, are included in expenses in the statement of activities. As of June 30, 2020 and 2019, the Organization had no uncertain tax positions that qualify for recognition or disclosure in the financial statements.

The Organization’s income tax returns are subject to review and examination by federal authorities. Since the Organization’s income tax filings are subject to audit by federal taxing authorities, generally three years after they are filed, the Organization is no longer subject to examinations by federal taxing authorities for the years ended before June 30, 2017. In addition, there are currently no pending income tax examinations by federal taxing authorities.

(j) Financial Instruments Fair Value, Concentration of Business and Credit Risks

The Organization’s financial instruments are cash and cash equivalents, investments, short-term contributions receivable, prepaid expenses and other assets, a long-term contribution receivable – split-interest agreement, beneficial interest in assets held by a Foundation, accounts payable, accrued expenses and capital lease obligations.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(j) **Financial Instruments Fair Value, Concentration of Business and Credit Risks (Continued)**

The recorded values of cash and cash equivalents, short-term contributions receivable, prepaid expenses and other assets, accounts payable, and accrued expenses, approximate their fair value based on their short-term nature.

The recorded value of investments approximates fair value based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities (see notes 1(k) and 4).

The recorded net present value of a long-term contribution receivable split-interest agreement approximates fair value, as the discount rate approximates market rates (Level 3 inputs) (See notes 1(k) and 3). The fair value of the underlying investments within the trust instruments are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The recorded values of beneficial interest in assets held by a Foundation approximate fair value as they are based on these funds being pooled into various investment funds held by the Foundations (Level 3 inputs) (See notes 1(k) and 6). The fair value of the underlying investments within the Foundation's investment funds are based on quoted market prices (Level 1 inputs) in an active market for identical assets or liabilities.

The carrying amount reported in the accompanying statement of financial position for capital lease obligations approximates fair value because actual interest rates do not significantly differ from current rates offered for instruments with similar characteristics.

Grants and contracts receivable arise as a result of the agreements with third parties to provide specified services. The grants and contracts are monitored on a monthly basis and are not collateralized.

The Organization maintains its cash balances at certain financial institutions in which balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. During the year, the Organization from time to time may have had amounts on deposit in excess of the insured limits. Management believes the associated risk is minimized by placing such assets with quality financial institutions. The Organization has not experienced any losses on such accounts.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(k) Fair Value Measurements

The Organization has adopted accounting standards for fair value measurements, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements of assets and liabilities to include disclosure about inputs used in the determination of fair value using the three categories listed below.

These accounting standards apply under other accounting pronouncements previously issued by the Financial Accounting Standards Board, or FASB, which require or permit fair measurements. The adoption of the new accounting standards did not impact the Organization's financial position or results of operations.

Fair value is defined under "Fair Value Measurements and Disclosures," FASB Accounting Standards Codification Topic 820 (Topic 820) as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Topic 820 also establishes a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair.

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels of inputs to the valuation methodology are:

- Level 1 quoted prices (unadjusted) for an identical asset or liability in an active market.
- Level 2 quoted prices for a similar asset or liability in an active market or model-derived valuations in which all significant inputs are observable for substantially the full term of the asset or liability.
- Level 3 unobservable and significant to the fair value measurement of the asset or liability.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) **Organization and Summary of Significant Accounting Policies (Continued)**

(k) **Fair Value Measurements (Continued)**

The Organization's financial instruments measured at fair value on a recurring basis subject to the disclosure requirements of Topic 820 at June 30, 2020 and 2019 were as follows:

<u>2020</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,127,847</u>	<u>-</u>	<u>-</u>	<u>1,127,847</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>861,493</u>	<u>861,493</u>
Beneficial interest in assets held by a foundation	<u>-</u>	<u>-</u>	<u>36,795</u>	<u>36,795</u>
<u>2019</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	<u>Fair Value</u>
Investments	<u>\$ 1,049,652</u>	<u>-</u>	<u>-</u>	<u>1,049,652</u>
Contribution receivable – split-interest agreement	<u>-</u>	<u>-</u>	<u>829,592</u>	<u>829,592</u>
Beneficial interest in assets held by a foundation	<u>-</u>	<u>-</u>	<u>35,847</u>	<u>35,847</u>

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(1) Organization and Summary of Significant Accounting Policies (Continued)

(l) Subsequent Events

In preparing these financial statements, the Organization has evaluated subsequent events and transactions for potential recognition and disclosure through October 7, 2019, which is the date the financial statements were available to be issued.

(m) Bequests Receivable

The Organization records bequests receivable when notification has been received that the Organization has been named as a beneficiary in a will or a trust, the probate courts have declared the will valid, and the amount to be received is known as the value can be reasonably estimated and measurable or an estimate has been provided by the trustee or the executor of the estate. However, if notification is received after year end and the amount is material, a disclosure is made as a subsequent event.

If the will or trust provides that the Organization will receive a percentage, but the total realizable amounts are not presently determinable, no entries are recorded.

Certain gifts have not been recorded in the accompanying financial statements because donors' wills have not yet been declared valid by the probate court or the value of the amounts to be received is not yet determinable. The Organization will record and report all such gifts as the value is determined.

The Organization has been named as a beneficiary in several wills or trust agreements where the person hasn't passed away or is a contingent beneficiary. These are considered intentions to give or conditional promises to give and not unconditional promises to give, and as a result, no entries are recorded and no disclosures are made in the financial statements.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(2) Liquidity and Availability

As of June 30, 2019, the Organization has \$2,762,322 of financial assets available within one year of the balance sheet date to meet cash needs for general expenditure. Financial assets subject to donor or other restrictions that make them unavailable for general expenditure within one year of the balance sheet date were \$1,106,001 as of June 30, 2020. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets as of June 30, 2020 reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date.

Cash and cash equivalents	\$ 1,700,853
Accounts receivable	3,130
Investments	1,127,847
Bequest receivable	175,000
Contribution receivable - split interest agreement	<u>861,493</u>
Total financial assets	3,868,323
Investments - donor restricted endowment funds	(244,508)
Contribution receivable - split interest agreement	<u>(861,493)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,762,322</u>

(3) Split-Interest Agreement

During 2001, the Organization became a beneficiary to an irrevocable charitable remainder trust. A charitable remainder trust provides for the payment of distributions to beneficiaries over the trust term. The trust term provides that approximately one-third of the trust will be paid at the end of ten, twenty, and thirty years. At the end of the term, the remaining assets are distributed to specified beneficiaries including the Organization. The portion of the trust attributable to the present value of the future benefits to be received by the Organization is recorded in the statement of activities as a temporarily restricted contribution in the period the trust is contributed. The related receivable is shown under split-interest receivable in the statement of financial position. The assets are held by a third party who administers the gift. For the years ended June 30, 2020 and 2019, the net present value of the Organization's interest using a 6.5% discount rate is \$861,493 and \$829,592, respectively, and is considered or classified as temporarily restricted due to the passage of time.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(4) Investments

At June 30, 2020 and 2019, the Organization's investment portfolio consisted of marketable equity and fixed income securities carried at fair value. The Organization derives the fair value of its securities based on quoted market prices.

The following table summarizes the Organization's investments at June 30, 2020 and 2019:

	2020		2019	
	Cost	Fair Value	Cost	Fair Value
Mutual funds - equities	\$ 544,415	544,992	499,043	522,179
Mutual funds - fixed income securities	532,355	537,066	423,559	435,642
Real asset funds - real assets	-	-	31,368	31,762
Other – alternative investments	-	-	58,769	60,069
Money market funds	45,789	45,789	-	-
	<u>\$ 1,122,559</u>	<u>1,127,847</u>	<u>1,012,739</u>	<u>1,049,652</u>

Investment gains and losses as reported in the accompanying statements of activities include unrealized losses of \$30,231 in 2020 and unrealized gains of \$12,907 in 2019 associated with the investments reflected herein.

(5) Property and Equipment

Property and equipment consist of the following at June 30:

	Useful Life	2020	2019
Construction in progress	-	\$ 23,600	-
Buildings and improvements	7-40	5,524,773	5,514,468
Equipment and software	3-7	1,371,642	1,357,642
Vehicles	5	394,693	410,080
		7,314,708	7,282,190
Less accumulated depreciation		<u>(4,440,666)</u>	<u>(4,249,333)</u>
		<u>\$ 2,874,042</u>	<u>3,032,857</u>

Included in construction in progress are costs incurred in the amount of \$23,600 for future expansion. Included in these costs is a down payment for a contract to purchase land located in Orange County, Florida.

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(5) Property and Equipment (Continued)

The Organization leases the land on which the buildings are located under long-term leases with Orange County and Seminole County, Florida, which expire March 2, 2042 and October 5, 2043, respectively. Under the terms of the leases, the Organization paid total consideration of \$10. The effect of these leases is not reflected in the accompanying statements of activities because the fair value of these leases is not readily determinable.

(6) Beneficial Interest in Assets Held by a Foundation

The Organization established an endowment with the Central Florida Foundation (the "CFF"). The endowment will provide a permanent source of income for the Organization. Future income may be withdrawn or added to the principal balance of the endowment at the Organization's discretion. In accordance with accounting standards on the reporting of endowment funds, those funds are classified as unrestricted and are carried as an asset on the accompanying statement of financial position.

(7) Leases

The Organization leases certain office equipment and software under leases accounted for as operating leases and capital leases.

At June 30, 2020, future minimum annual rental commitments under non-cancellable lease obligations are as follows:

<u>Year-ending June 30,</u>	<u>Operating Leases</u>
2021	\$ 17,000
2022	17,000
2023	17,000
2024	13,000
2025	-
Thereafter	-
Total minimum lease payments	<u>\$ 64,000</u>

PET ALLIANCE OF GREATER ORLANDO, INC.

Notes to Financial Statements

June 30, 2020 and 2019

(8) Employee Benefit Plan

The Organization's contributions to a salary savings 401(k) plan for the years ended June 30, 2020 and 2019 amounted to approximately \$55,000 and \$40,000, respectively.

(9) Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Contribution receivable -split-interest agreement	\$ 861,493	829,592
Perpetual in nature	<u>244,508</u>	<u>244,508</u>
	<u>\$ 1,106,001</u>	<u>1,074,100</u>

(10) Paycheck Protection Program (PPP) Loan

In April 2020, the Organization applied for and received a loan in the amount of \$905,800 pursuant to the Paycheck Protection Program (PPP) established by the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide relief in connection with the coronavirus pandemic. The note bears interest at 1% and is subject to a payment deferral period of six months. However, the note and related interest are subject to forgiveness when the proceeds of the loan are used to fund payroll and other allowable expenses as defined by the PPP. As of June 30, 2020, the Organization incurred \$717,754 of qualifying expenditures and, accordingly, has recorded that amount as PPP grant revenue in the accompanying statement of activities. The balance of the note at June 30, 2020 amounts to \$188,046 and is expected to be subject to forgiveness in the fiscal year ended June 30, 2021.

(11) Subsequent Event - Coronavirus Pandemic

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that the effects of the pandemic will continue for some time. With respect to the Organization's operations, future potential impacts may include disruptions or restrictions on our employees' ability to work, on our customers' ability to pay, or on our donors' ability to make contributions as a result of job loss, overall economic slowdown, or other pandemic related issues. Changes to the operating environment may increase operating costs. The ultimate outcome of these matters on the Organization cannot be determined at this time.