

FAITHFUL FRIENDS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

FAITHFUL FRIENDS, INC.

CONTENTS

JUNE 30, 2021 AND 2020

|                                   | <u>Exhibit</u> |
|-----------------------------------|----------------|
| <u>Financial Statements</u>       |                |
| Independent Auditor's Report      |                |
| Statements of Financial Position  | A              |
| Statements of Activities          | B              |
| Statements of Functional Expenses | C              |
| Statements of Cash Flows          | D              |
| Notes to Financial Statements     |                |

## **Independent Auditor's Report**

Board of Directors  
Faithful Friends, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Faithful Friends, Inc., which comprise the statements of financial position as of June 30, 2021 and 2020, 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 from 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 Faithful Friends, Inc. as of June 30, 2021 and 2020, and the results of its changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 6, the worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many businesses and has negatively affected Faithful Friends, Inc., however, the related impact and duration cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

*Horty: Horty PA*

Wilmington, Delaware  
December 8, 2021

## FAITHFUL FRIENDS, INC.

STATEMENTS OF FINANCIAL POSITIONASSETS

|  | <u>June 30,</u>     |                     |
|--|---------------------|---------------------|
|  | <u>2021</u>         | <u>2020</u>         |
| <u>Assets</u>                                |                     |                     |
| Cash and cash equivalents                    | \$ 862,300          | \$ 1,205,615        |
| Investments                                  | 4,848,748           | 2,862,274           |
| Contributions receivable                     | 310,186             | 675,659             |
| Prepaid expenses                             | 14,550              | 26,550              |
| Property and equipment, net                  | 1,044,444           | 669,842             |
| Investment, Delaware Community<br>Foundation | 13,512              | 10,668              |
| Other assets                                 | 16,034              | 4,295               |
|  | <u>\$ 7,109,774</u> | <u>\$ 5,454,903</u> |
| <u>Total Assets</u>                          |                     |                     |

LIABILITIES AND NET ASSETS

|  |                     |                     |
|--|---------------------|---------------------|
| <u>Liabilities</u>                         |                     |                     |
| Accounts payable and accrued expenses      | \$ 148,023          | \$ 207,408          |
| Note payable - Paycheck Protection Program | 325,000             | 347,047             |
|  | <u>473,023</u>      | <u>554,455</u>      |
| <u>Total Liabilities</u>                   |                     |                     |
| <u>Net Assets</u>                          |                     |                     |
| Without donor restrictions                 | 2,419,606           | 1,568,661           |
| With donor restrictions                    | 4,217,145           | 3,331,787           |
|  | <u>6,636,751</u>    | <u>4,900,448</u>    |
| <u>Total Net Assets</u>                    |                     |                     |
|  | <u>\$ 7,109,774</u> | <u>\$ 5,454,903</u> |
| <u>Total Liabilities and Net Assets</u>    |                     |                     |

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

FAITHFUL FRIENDS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2021 AND 2020

|  | <u>2021</u>                           |                                    |                     |
|--|---------------------------------------|------------------------------------|---------------------|
|  | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
| <u>Public Support and Revenue</u>            |                                       |                                    |                     |
| <u>Public Support</u>                        |                                       |                                    |                     |
| Grants and contributions                     | \$ 2,146,992                          | \$ 1,265,488                       | \$ 3,412,480        |
| <u>Support and Revenue</u>                   |                                       |                                    |                     |
| Fundraising                                  | 98,205                                |                                    | 98,205              |
| Program service fees                         | 55,783                                |                                    | 55,783              |
| Clinic fees                                  | 696,128                               |                                    | 696,128             |
| Adoption fees                                | 154,012                               |                                    | 154,012             |
| Retail sales                                 | 2,127                                 |                                    | 2,127               |
| Interest income                              | 13,947                                |                                    | 13,947              |
| Unrealized gains (losses) on investments     | (53,612)                              |                                    | (53,612)            |
| Miscellaneous revenue                        | 9,901                                 |                                    | 9,901               |
| <u>Total Support and Revenue</u>             | <u>976,491</u>                        |                                    | <u>976,491</u>      |
| <u>Net Assets Released from Restrictions</u> | <u>380,130</u>                        | <u>(380,130)</u>                   |                     |
| <u>Total Public Support and Revenue</u>      | <u>3,503,613</u>                      | <u>885,358</u>                     | <u>4,388,971</u>    |
| <u>Expenses</u>                              |                                       |                                    |                     |
| Program services                             | <u>2,237,339</u>                      |                                    | <u>2,237,339</u>    |
| <u>Support Services</u>                      |                                       |                                    |                     |
| Management and general                       | 82,390                                |                                    | 82,390              |
| Fundraising - Development                    | 321,249                               |                                    | 321,249             |
| Fundraising - Events                         | 11,690                                |                                    | 11,690              |
| <u>Total Support Services</u>                | <u>415,329</u>                        |                                    | <u>415,329</u>      |
| <u>Total Expenses</u>                        | <u>2,652,668</u>                      |                                    | <u>2,652,668</u>    |
| <u>Change in Net Assets</u>                  | 850,945                               | 885,358                            | 1,736,303           |
| <u>Net Assets</u>                            |                                       |                                    |                     |
| Beginning of year                            | <u>1,568,661</u>                      | <u>3,331,787</u>                   | <u>4,900,448</u>    |
| End of year                                  | <u>\$ 2,419,606</u>                   | <u>\$ 4,217,145</u>                | <u>\$ 6,636,751</u> |

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

| 2020                                  |                                    |                     |
|---------------------------------------|------------------------------------|---------------------|
| <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>Restrictions</u> | <u>Total</u>        |
| \$ 1,700,909                          | \$ 795,392                         | \$ 2,496,301        |
| 213,139                               |                                    | 213,139             |
| 27,697                                |                                    | 27,697              |
| 445,998                               |                                    | 445,998             |
| 102,622                               |                                    | 102,622             |
| 4,217                                 |                                    | 4,217               |
| 20,751                                |                                    | 20,751              |
| 3,258                                 |                                    | 3,258               |
| 11,019                                |                                    | 11,019              |
| <u>828,701</u>                        |                                    | <u>828,701</u>      |
| 44,931                                | (44,931)                           |                     |
| <u>2,574,541</u>                      | <u>750,461</u>                     | <u>3,325,002</u>    |
| <u>2,262,009</u>                      |                                    | <u>2,262,009</u>    |
| 71,943                                |                                    | 71,943              |
| 364,691                               |                                    | 364,691             |
| 22,052                                |                                    | 22,052              |
| <u>458,686</u>                        |                                    | <u>458,686</u>      |
| <u>2,720,695</u>                      |                                    | <u>2,720,695</u>    |
| (146,154)                             | 750,461                            | 604,307             |
| <u>1,714,815</u>                      | <u>2,581,326</u>                   | <u>4,296,141</u>    |
| <u>\$ 1,568,661</u>                   | <u>\$ 3,331,787</u>                | <u>\$ 4,900,448</u> |

## FAITHFUL FRIENDS, INC.

## STATEMENTS OF FUNCTIONAL EXPENSES

| Expenses                                   | Year Ended June 30, 2021 |                              |                   |                              |                     |
|--|--------------------------|------------------------------|-------------------|------------------------------|---------------------|
|  | Program<br>Services      | Support Services             |                   | Total<br>Support<br>Services | Total               |
|  |                          | Management<br>and<br>General | Fundraising       |                              |                     |
| Director's salary                          | \$ 42,161                | \$ 16,865                    | \$ 25,297         | \$ 42,162                    | \$ 84,323           |
| Salaries and wages                         | 1,323,095                | 30,416                       | 167,288           | 197,704                      | 1,520,799           |
| Payroll taxes                              | 96,188                   | 2,211                        | 12,162            | 14,373                       | 110,561             |
| Payroll fees                               | 5,331                    | 123                          | 674               | 797                          | 6,128               |
| <u>Total Salaries and Related Expenses</u> | 1,466,775                | 49,615                       | 205,421           | 255,036                      | 1,721,811           |
| Advertising                                | 10,903                   |                              |                   |                              | 10,903              |
| Bank and vendor fees                       | 9,443                    | 9,443                        | 18,885            | 28,328                       | 37,771              |
| Clinic equipment                           | 13,171                   |                              |                   |                              | 13,171              |
| Dept. of Agr. - Rabies                     | 10,467                   |                              |                   |                              | 10,467              |
| Depreciation                               | 51,757                   | 1,150                        | 4,600             | 5,750                        | 57,507              |
| Dues and publications                      | 8,016                    |                              | 422               | 422                          | 8,438               |
| Equipment rental                           | 14,817                   | 329                          | 1,317             | 1,646                        | 16,463              |
| Fundraising - Development                  |                          |                              | 61,969            | 61,969                       | 61,969              |
| Fundraising - Events                       |                          |                              | 11,690            | 11,690                       | 11,690              |
| Gas and vehicle expense                    | 1,060                    |                              |                   |                              | 1,060               |
| Husbandry                                  | 59,135                   |                              |                   |                              | 59,135              |
| Insurance                                  | 47,690                   | 1,060                        | 4,239             | 5,299                        | 52,989              |
| Maintenance                                | 26,098                   | 580                          | 2,320             | 2,900                        | 28,998              |
| Medical supplies                           | 233,591                  |                              |                   |                              | 233,591             |
| Office supplies                            | 10,542                   | 234                          | 937               | 1,171                        | 11,713              |
| Postage                                    | 455                      | 455                          | 3,640             | 4,095                        | 4,550               |
| Professional fees                          |                          | 16,527                       | 5,509             | 22,036                       | 22,036              |
| Program supplies                           | 53,366                   |                              |                   |                              | 53,366              |
| Property insurance                         | 2,063                    | 46                           | 183               | 229                          | 2,292               |
| Rent                                       | 74,933                   | 1,665                        | 6,661             | 8,326                        | 83,259              |
| Retail expenses                            | 1,580                    |                              |                   |                              | 1,580               |
| Security system                            | 821                      | 18                           | 73                | 91                           | 912                 |
| Software expense                           | 5,484                    |                              |                   |                              | 5,484               |
| Telephone and internet                     | 16,125                   | 358                          | 1,433             | 1,791                        | 17,916              |
| Transfer fees                              | 17,229                   |                              |                   |                              | 17,229              |
| Trash                                      | 7,297                    | 162                          | 649               | 811                          | 8,108               |
| Utilities                                  | 33,653                   | 748                          | 2,991             | 3,739                        | 37,392              |
| Veterinary hospitals                       | 58,364                   |                              |                   |                              | 58,364              |
| Volunteer program expense                  | 1,937                    |                              |                   |                              | 1,937               |
| Website                                    | 567                      |                              |                   |                              | 567                 |
| <u>Total Expenses</u>                      | <u>\$ 2,237,339</u>      | <u>\$ 82,390</u>             | <u>\$ 332,939</u> | <u>\$ 415,329</u>            | <u>\$ 2,652,668</u> |

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



FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

| Expenses                                   | Year Ended June 30, 2020 |                              |                   |                              |                     |
|--|--------------------------|------------------------------|-------------------|------------------------------|---------------------|
|  | Program<br>Services      | Support Services             |                   |                              | Total               |
|  |                          | Management<br>and<br>General | Fundraising       | Total<br>Support<br>Services |                     |
| Director's salary                          | \$ 39,361                | \$ 14,313                    | \$ 17,891         | \$ 32,204                    | \$ 71,565           |
| Salaries and wages                         | 1,316,121                | 30,968                       | 201,289           | 232,257                      | 1,548,378           |
| Payroll taxes                              | 109,834                  | 2,584                        | 16,798            | 19,382                       | 129,216             |
| Payroll fees                               | 4,941                    | 116                          | 756               | 872                          | 5,813               |
| <u>Total Salaries and Related Expenses</u> | 1,470,257                | 47,981                       | 236,734           | 284,715                      | 1,754,972           |
| Advertising                                | 13,513                   |                              |                   |                              | 13,513              |
| Bank and vendor fees                       | 7,814                    | 7,814                        | 15,628            | 23,442                       | 31,256              |
| Clinic equipment                           | 12,527                   |                              |                   |                              | 12,527              |
| Dept. of Agr. - Rabies                     | 8,552                    |                              |                   |                              | 8,552               |
| Depreciation                               | 53,345                   | 1,185                        | 4,742             | 5,927                        | 59,272              |
| Dues and publications                      | 2,923                    |                              | 154               | 154                          | 3,077               |
| Equipment rental                           | 15,024                   | 334                          | 1,335             | 1,669                        | 16,693              |
| Fundraising - Development                  |                          |                              | 78,719            | 78,719                       | 78,719              |
| Fundraising - Events                       |                          |                              | 22,052            | 22,052                       | 22,052              |
| Gas and vehicle expense                    | 1,151                    |                              |                   |                              | 1,151               |
| Husbandry                                  | 65,889                   |                              |                   |                              | 65,889              |
| Insurance                                  | 61,724                   | 1,372                        | 5,486             | 6,858                        | 68,582              |
| Maintenance                                | 35,405                   | 787                          | 3,147             | 3,934                        | 39,339              |
| Medical supplies                           | 219,825                  |                              |                   |                              | 219,825             |
| Office supplies                            | 7,086                    | 157                          | 629               | 786                          | 7,872               |
| Postage                                    | 384                      | 384                          | 3,074             | 3,458                        | 3,842               |
| Professional fees                          |                          | 8,910                        | 2,970             | 11,880                       | 11,880              |
| Program supplies                           | 45,219                   |                              |                   |                              | 45,219              |
| Property insurance                         | 2,506                    | 56                           | 223               | 279                          | 2,785               |
| Rent                                       | 74,956                   | 1,666                        | 6,663             | 8,329                        | 83,285              |
| Retail expenses                            | 4,820                    |                              |                   |                              | 4,820               |
| Security system                            | 1,441                    | 32                           | 128               | 160                          | 1,601               |
| Software expense                           | 1,001                    |                              |                   |                              | 1,001               |
| Telephone and internet                     | 16,529                   | 367                          | 1,469             | 1,836                        | 18,365              |
| Transfer fees                              | 3,071                    |                              |                   |                              | 3,071               |
| Trash                                      | 6,291                    | 140                          | 559               | 699                          | 6,990               |
| Utilities                                  | 34,101                   | 758                          | 3,031             | 3,789                        | 37,890              |
| Veterinary hospitals                       | 91,352                   |                              |                   |                              | 91,352              |
| Volunteer program expense                  | 4,691                    |                              |                   |                              | 4,691               |
| Website                                    | 612                      |                              |                   |                              | 612                 |
| <u>Total Expenses</u>                      | <u>\$ 2,262,009</u>      | <u>\$ 71,943</u>             | <u>\$ 386,743</u> | <u>\$ 458,686</u>            | <u>\$ 2,720,695</u> |

FAITHFUL FRIENDS, INC.

STATEMENTS OF CASH FLOWS

|   | <u>Year Ended June 30,</u> |                     |
|---|----------------------------|---------------------|
|   | <u>2021</u>                | <u>2020</u>         |
| <u>Cash Flows From Operating Activities</u>                 |                            |                     |
| Grants and contributions received                           | \$ 1,440,585               | \$ 1,635,968        |
| Program service and other fees received                     | 918,009                    | 591,553             |
| Cash received from fundraising activities                   | 98,205                     | 213,139             |
| Cash paid to suppliers and employees                        | (2,535,296)                | (2,460,137)         |
| Interest received   | <u>13,947</u>              | <u>20,751</u>       |
| <u>Net Cash Provided By (Used For) Operating Activities</u> | <u>(64,550)</u>            | <u>1,274</u>        |
| <u>Cash Flows From Investing Activities</u>                 |                            |                     |
| Purchase of property and equipment                          | (432,167)                  | (253,839)           |
| Proceeds from sale of investments, marketable securities    |                            | 204,207             |
| Purchase of investments, marketable securities - Net        | (171,723)                  |                     |
| Investment, Delaware Community Foundation - Net             | <u>125</u>                 | <u>81</u>           |
| <u>Net Cash Used For Investing Activities</u>               | <u>(603,765)</u>           | <u>(49,551)</u>     |
| <u>Cash Flows From Financing Activities</u>                 |                            |                     |
| Proceeds from Paycheck Protection Program loan              | <u>325,000</u>             | <u>347,047</u>      |
| <u>Net Change In Cash and Cash Equivalents</u>              | (343,315)                  | 298,770             |
| <u>Cash and Cash Equivalents</u>                            |                            |                     |
| Beginning of year   | <u>1,205,615</u>           | <u>906,845</u>      |
| End of year   | <u>\$ 862,300</u>          | <u>\$ 1,205,615</u> |

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

RECONCILIATIONS OF CHANGE IN NET ASSETS TO NET CASH  
PROVIDED BY (USED FOR) OPERATING ACTIVITIES

|  | <u>Year Ended June 30,</u> |                 |
|--|----------------------------|-----------------|
|  | <u>2021</u>                | <u>2020</u>     |
| <u>Change In Net Assets</u>  | \$ 1,736,303               | \$ 604,307      |
| <br><u>Adjustments To Reconcile Change In Net Assets To<br/>Net Cash Provided By (Used For) Operating Activities</u> |                            |                 |
| Depreciation   | 57,507                     | 59,272          |
| Unrealized (gains) losses on investments   | 53,612                     | (3,258)         |
| Non-cash contribution of marketable securities   | (1,871,332)                | (1,075,280)     |
| Loss on disposal of property and equipment   | 58                         |                 |
| Paycheck Protection Program loan forgiveness   | (347,047)                  |                 |
| Decrease (increase) in:  |                            |                 |
| Contributions receivable   | 365,473                    | 385,175         |
| Prepaid expenses   | 12,000                     | (25,475)        |
| Other assets   | (11,739)                   |                 |
| Increase (decrease) in:  |                            |                 |
| Accounts payable and accrued expenses  | <u>(59,385)</u>            | <u>56,533</u>   |
| <u>Net Cash Provided By (Used For) Operating Activities</u>  | <u>\$ (64,550)</u>         | <u>\$ 1,274</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1 - Nature of the Organization

Faithful Friends, Inc. (the "Organization") was established in 2001 to render services towards helping the State of Delaware reverse its 90% kill rate for homeless animals to a 90% or better save rate. The Organization protects homeless, abused, and neglected pets (primarily dogs and cats) through rescue, shelter, adoption, spay/neuter, and other services. It also provides pet retention services to help keep pets with their families or in the communities that care for them. Pet retention services include, among other things, free and low cost veterinary care. The Organization's services reach the entire State of Delaware as well as other surrounding states' communities. The Organization's revenue comes primarily from clinic and adoptions fees, individual and business contributions and from various government and foundation grants.

Note 2 - Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Estimates

The preparation of financial statements 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.

Contributions

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Unconditional promises to give are measured at fair value when the pledge is received. The fair value of unconditional promises to give is determined using the present value of estimated future cash flows.

Donated Goods and Services

Services received as donations are recorded at their fair values at the date of receipt. Donated goods and services were \$118,989 and \$170,228 for the years ended June 30, 2021 and 2020, respectively, and are included in public support and revenue and expenses.

Cash and Cash Equivalents

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

Revenue Recognition

With respect to revenue from program service fees, clinic fees, adoption fees, and retail sales, the Organization considers these to be single performance obligations and recognizes such revenue at a point in time, when the goods and services are provided to its customers and patrons.

Investments

Investments are recorded at fair value. Gains, losses, dividends and interest are recorded as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Investments in which the fair value is less than the required amount to be maintained by donors, or by law, are reported as a reduction in net assets with donor restrictions.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Advertising Expense

The Organization expenses advertising costs when incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The Organization's operating costs have been allocated between program services, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one function. Expenditures that require allocation are typically allocated on either a personnel-cost or square-footage basis, whichever is more reasonable for the expenditure.

Property, Equipment, Donated Assets and Depreciation

Assets are stated at cost unless they are donated. Donated assets are stated at their fair values as of the date of the donation. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts and any gains or losses on such disposition are recognized in the statements of activities.

Depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

Fair Value Measurements

The Organization follows Accounting Standards Codification (ASC) 820-10, "Fair Value Measurements." ASC 820-10 establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under ASC 820-10 are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
  - Quoted prices for identical or similar assets or liabilities in inactive markets;
  - Inputs other than quoted prices that are observable for the asset or liability;
  - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability'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 is a description of the valuation methodologies used for assets measured at fair value:

Investments: Investments are held in custodian accounts. Investments consist of common stocks, exchange traded funds, mutual funds, money market accounts, certificates of deposit, and municipal bonds. Common stocks, exchange traded funds, mutual funds, and money market accounts are valued at closing market prices reported on the active market on which the investments are traded. Municipal bonds are valued based on the market values reported on the account statements provided by the custodian to the Organization. Municipal bonds are comprised of obligations issued by state and other localities. Certificates of deposit are valued using spreads over various interest rate curves depending on the term of the certificate of deposit. Spreads are obtained from new issue markets or direct dealer quotes.

Investment - Delaware Community Foundation: The Organization has pooled funds which are held with the Delaware Community Foundation (DCF). The Organization relies on the investment information as reported by the DCF. The underlying investments held by DCF are primarily mutual funds held in accordance with DCF's investment policy.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Contributions Receivable: Valued at the present value of estimated future cash flows of unconditional promises to give using a discount rate.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while 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 following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

|   | June 30, 2021               |                             |                  |                    |
|---|-----------------------------|-----------------------------|------------------|--------------------|
|   | <u>Level 1</u>              | <u>Level 2</u>              | <u>Level 3</u>   | <u>Total</u>       |
| Contributions Receivable                      |                             |                             | \$310,186        | \$ 310,186         |
| <u>Investments</u> :                          |                             |                             |                  |                    |
| Certificates of deposit                       |                             | \$ 482,738                  |                  | 482,738            |
| Municipal bonds                               |                             | 1,006,743                   |                  | 1,006,743          |
| Exchange traded funds                         | \$1,803,956                 |                             |                  | 1,803,956          |
| Money market funds                            | 1,555,311                   |                             |                  | 1,555,311          |
| Investment - Delaware<br>Community Foundation | <u>                    </u> | <u>                    </u> | <u>13,512</u>    | <u>13,512</u>      |
| <u>Total</u>                                  | <u>\$3,359,267</u>          | <u>\$1,489,481</u>          | <u>\$323,698</u> | <u>\$5,172,446</u> |



FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

|   | June 30, 2020      |                    |                  |                    |
|---|--------------------|--------------------|------------------|--------------------|
|   | <u>Level 1</u>     | <u>Level 2</u>     | <u>Level 3</u>   | <u>Total</u>       |
| Contributions Receivable                      |                    |                    | \$675,659        | \$ 675,659         |
| <u>Investments:</u>                           |                    |                    |                  |                    |
| Certificates of deposit                       |                    | \$1,450,946        |                  | 1,450,946          |
| Municipal bonds                               |                    | 204,622            |                  | 204,622            |
| Exchange traded funds                         | \$ 5,100           |                    |                  | 5,100              |
| Money market funds                            | 1,201,606          |                    |                  | 1,201,606          |
| Investment - Delaware<br>Community Foundation |                    |                    | 10,668           | 10,668             |
| <u>Total</u>                                  | <u>\$1,206,706</u> | <u>\$1,655,568</u> | <u>\$686,327</u> | <u>\$3,548,601</u> |

The changes in Investment - Delaware Community Foundation measured at fair value for which the Organization has categorized as Level 3 to determine fair value are as follows:

|                                    | June 30,        |                 |
|------------------------------------|-----------------|-----------------|
|                                    | <u>2021</u>     | <u>2020</u>     |
| <u>Balance</u> - Beginning of year | \$10,668        | \$10,774        |
| Unrealized gain (loss)             | 2,969           | (25)            |
| Interest and dividends             | 178             | 217             |
| Investment expense                 | (303)           | (298)           |
| <u>Balance</u> - End of year       | <u>\$13,512</u> | <u>\$10,668</u> |

The changes in contributions receivable measured at fair value for which the Organization has categorized as Level 3 to determine fair value are as follows:

|                                    | June 30,          |                   |
|------------------------------------|-------------------|-------------------|
|                                    | <u>2021</u>       | <u>2020</u>       |
| <u>Balance</u> - Beginning of year | \$ 675,659        | \$1,060,834       |
| Amounts pledged                    | 448,937           | 280,548           |
| Cash received                      | (812,322)         | (656,787)         |
| Adjustment for net present value   | (2,088)           | (8,936)           |
| <u>Balance</u> - End of year       | <u>\$ 310,186</u> | <u>\$ 675,659</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Liquidity and Availability of Financial Assets

The primary and overriding investment objective for the Organization's investment portfolio is to preserve the capital of the funds. Invested funds are to be in cash or cash equivalent investments with legal maturities of one year or less. The Organization, with guidance from the Board of Director's Finance Committee, invests cash in excess of its short-term requirements in conservative investments such as money market accounts, certificates of deposit, and U.S. Treasury bills.

The following reflects the Organization's financial assets as of June 30, 2021, reduced by amounts not available for general expenditures because of contractual or donor-imposed restrictions and available within one year of the statements of financial position date.

|  |                    |                    |
|--|--------------------|--------------------|
| Cash and cash equivalents  | \$ 862,300         |                    |
| <u>Less: Donor restricted for use toward the Capital Campaign</u>                                    | <u>(242,448)</u>   | \$ 619,852         |
| Contributions receivable   | 310,186            |                    |
| <u>Less: Donor restricted for use toward the Capital Campaign</u>                                    | <u>(310,186)</u>   | -0-                |
| Investments  | 4,862,260          |                    |
| <u>Less: Donor restricted for use toward the Capital Campaign and other</u>                          | <u>(3,683,380)</u> | <u>1,178,880</u>   |
| <u>Net Financial Resources Available to Meet Cash Needs for General Expenditures Within One Year</u> |                    | <u>\$1,798,732</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases (*Topic 842*). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. In June 2020, the FASB issued ASU 2020-05 which defers the effective date of ASU 2016-02 making it effective for annual reporting periods beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is currently evaluating the impact its pending adoption of the new standard will have on the financial statements.

In May 2014, FASB issued ASU 2014-09, Revenue from Contracts with Customers (*Topic 606*), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard replaced most existing revenue recognition guidance in U.S. GAAP when it became effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In June 2020, FASB issued ASU 2020-05 which permits private companies the option to defer the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2019. The Organization adopted the provisions of ASU 2014-09 during the year ended June 30, 2021 using the full retrospective method. The adoption of ASU 2014-09 did not have a material effect on the accompanying financial statements other than incorporating additional disclosures about the Organization's revenue recognition policies.

Pending Accounting Pronouncements

In September 2020, the FASB issued ASU 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (*Topic 958*), requiring that a Not-For Profit present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

or other financial assets and a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets. The new standard should be applied on a retrospective basis and is effective for fiscal years beginning after June 15, 2021, and interim periods with annual periods beginning after June 15, 2022. The Organization is currently evaluating the impact its pending adoption of the new standard will have on the financial statements.

Note 3 - Unconditional Promises to Give

Unconditional promises to give are comprised of:

|   | <u>June 30,</u>  |                  |
|---|------------------|------------------|
|   | <u>2021</u>      | <u>2020</u>      |
| Restricted for specific programs            | <u>\$312,274</u> | <u>\$684,595</u> |
| Receivable in less than one year            | 245,947          | 464,936          |
| Receivable in one to five years             | <u>66,327</u>    | <u>219,659</u>   |
| <u>Total Unconditional Promises to Give</u> | 312,274          | 684,595          |
| Discounts to net present value              | <u>(2,088)</u>   | <u>(8,936)</u>   |
| <u>Net Unconditional Promises to Give</u>   | <u>\$310,186</u> | <u>\$675,659</u> |

Promises to give in more than one year are discounted at 3.25% for the years ended June 30, 2021 and 2020, respectively.

Note 4 - Conditional Promises to Give

Conditional promises to give are comprised of:

|  | <u>June 30,</u> |             |
|--|-----------------|-------------|
|  | <u>2021</u>     | <u>2020</u> |
| Promise conditioned upon operation of new building no later than 2024  | \$1,440,000     | \$440,000   |
| Building Compassion Capital Campaign Fund initially conditioned upon opening of new building. Condition released by donor in 2021. |                 | 250,000     |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

|   |                           |                         |
|---|---------------------------|-------------------------|
| Promise conditioned upon the Organization providing proof of equal matching donations |                           | 120,000                 |
| Promise for donated services for land improvements                                    |                           | <u>102,000</u>          |
| <b><u>Total Conditional Promises to Give</u></b>                                      | <b><u>\$1,440,000</u></b> | <b><u>\$912,000</u></b> |

The Conditional Promises to Give are not recognized in public support and revenue for the years ended June 30, 2021 and 2020 and will be recognized as revenue when the respective conditions are met in future years.

Note 5 - Financial Instruments

The Organization maintains cash accounts at high quality financial institutions. These accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balances, at times, exceed federally insured limits. However, management does not feel it is exposed to any significant credit risk with respect to uninsured balances maintained at these financial institutions.

Note 6 - Commitments and Contingency

The Organization leases its office and shelter space. The lease agreement requires monthly rental payments ranging from \$4,688 to \$4,829 and expires in June 2022. The Organization also entered into a lease for an auxiliary building at 10 Germay Drive. The lease agreement requires a monthly rental payment of \$1,175 and renews annually unless notice of 120 days is given. The Organization also entered into a lease for a second auxiliary building at 10 Germay Drive. The lease agreement commenced in January 2017 and requires monthly rental payments of \$1,175 and renews annually unless notice of 120 days is given. Rent expense related to these operating leases totaled \$83,259 and \$83,285 for the years ended June 30, 2021 and 2020, respectively. Future payments due under the leases are as follows:

Fiscal year ended:

|               |                        |
|---------------|------------------------|
| June 30, 2022 | <b><u>\$57,947</u></b> |
|---------------|------------------------|

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

In July 2021, the Organization entered into a contract with a construction manager for the construction of the Pet Adoption and Community Resource Center. The Organization has a commitment for construction phase services with a guaranteed maximum price of \$5,220,541.

The worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many organizations resulting from interruptions in the supply-chain, diminished ability for customers to buy and timely pay, business interruptions and potential effects on the labor force resulting from mandated quarantines, government ordered shutdowns and stay at home orders.

The broader and longer-term implications of the COVID-19 pandemic on the Organization's financial performance remain highly uncertain, and therefore the Organization cannot predict the full impact the pandemic, or any resulting market disruption and volatility, will have on business, cash flows, liquidity, financial condition and results of operations at this time. The ultimate impact will depend on future developments, including, among others, the ongoing spread of COVID-19, the consequences of governmental and other measures designed to prevent the spread of the virus, the implementation of effective treatments, the duration and severity of the pandemic, actions taken by customers, suppliers and other third parties, workforce availability, and the timing and extent to which normal economic and operating conditions resume and continue.

Additionally, it is reasonably possible that estimates made in the financial statements may be negatively impacted in the near term as a result of the present situation.

Note 7 - Property and Equipment

The following summarizes property and equipment:

|                                       | <u>June 30,</u>    |                   |
|---------------------------------------|--------------------|-------------------|
|                                       | <u>2021</u>        | <u>2020</u>       |
| Furniture, fixtures and equipment     | \$ 343,433         | \$ 314,587        |
| Leasehold improvements                | 241,837            | 238,448           |
| Construction in progress              | 847,006            | 479,938           |
| Website development                   | <u>24,000</u>      | <u>          </u> |
|                                       | 1,456,276          | 1,032,973         |
| <u>Less: Accumulated depreciation</u> | <u>411,832</u>     | <u>363,131</u>    |
| <u>Net Property and Equipment</u>     | <u>\$1,044,444</u> | <u>\$ 669,842</u> |

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8 - Note Payable - Paycheck Protection Program

In response to the coronavirus (COVID-19) outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program (PPP) to provide forgivable small business loans.

Under the PPP, if the funds are used to pay payroll and other allowable costs and if certain other conditions are met, the loan may be forgiven upon application to and approval by the lender and the U.S. Small Business Administration (SBA). Under the program, if the funds are used to pay payroll and other allowable costs and if certain other conditions are met, the loan may be forgiven upon application to and approval by the U.S. Small Business Administration.

During April of 2020 the Organization received a first draw PPP loan totaling \$347,047. During the year ended June 30, 2020, the Organization spent the proceeds in accordance with the requirements of the PPP. The loan was forgiven in January of 2021 by the Organization's lender and the SBA under the provisions of the CARES Act.

During January of 2021, under expanded provisions of the PPP, the Organization received a second draw forgivable PPP loan totaling \$325,000, which is subject to substantially the same conditions for forgiveness as the previous loan. Management has determined that all conditions for forgiveness have been substantially met as of June 30, 2021. The Organization applied for and received forgiveness of the entire balance of the PPP loan in August of 2021.

Note 9 - Income Tax Status

The Organization qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3) and its activities are not subject to income tax.

Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following:

|                  | <u>June 30,</u>    |                    |
|------------------|--------------------|--------------------|
|                  | <u>2021</u>        | <u>2020</u>        |
| Other            |                    | \$ 20,000          |
| Capital campaign | <u>\$4,217,145</u> | <u>3,311,787</u>   |
| Total            | <u>\$4,217,145</u> | <u>\$3,331,787</u> |

Delaware Senate Bill #253, passed in 2014, granted the Organization undeveloped land for the construction of a Pet Adoption and Community Resource Center (the Center), subject to certain conditions. Those conditions have been met and, on October 25<sup>th</sup>, 2019, the Colonial School District deeded (for consideration of \$1.00) approximately 28 acres of land to the Organization. The Organization is legally permitted to use the new parcel only for a Pet Adoption and Community Resource Center, and for no other use. Without further legislative approval, the property cannot be subsequently sold or transferred, or used for a purpose other than a Pet Adoption and Community Resource Center. Due to these restrictions, a value pertaining to the granted land is not reasonably determinable and has not been recorded on the Organization's books. The qualitative value of this land means that the Organization has access to funds that would have otherwise been used to purchase land. The Organization has capitalized all costs incurred on the land in preparation of construction.

The Center will be a modern, spacious facility better suited to the Organization's mission and more accessible to the public. The Organization is currently raising funds, through its Building Compassion Capital Campaign (Capital Campaign), for the construction of the facility. The land was cleared and prepared in July 2020 and construction of the building started in August 2021.

Note 11 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the Organization did not recognize unconditional promises to give from Board members or their affiliates. Amounts due on unconditional promises to give recognized in prior years from Board members or their affiliates total \$96,163 and \$99,837 at June 30, 2021 and June 30, 2020, respectively. During the years ended June 30, 2021 and 2020, the Organization also was given notice of conditional promises to give from Board members or their affiliates totaling \$1,000,000 and \$120,000, respectively.



FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 12 - Subsequent Events

Management has evaluated all subsequent events through December 8, 2021, the date the financial statements were available to be issued.

During the year ended June 30, 2020, the Organization was notified that it was the beneficiary of a portion of a decedent's estate. The estimated value of the distribution is \$625,000. This distribution is not included in revenue for the years ended June 30, 2021 and June 30, 2020 and will be recorded subsequent to year end once the probate period has expired.