

FAITHFUL FRIENDS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

FAITHFUL FRIENDS, INC.

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JUNE 30, 2022 AND 2021

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## **Independent Auditor's Report**

Board of Directors  
Faithful Friends, Inc.  
Wilmington, Delaware

### **Opinion**

We have audited the financial statements of Faithful Friends, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an

auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*Horty: Horty PA*

Wilmington, Delaware  
December 28, 2022

## FAITHFUL FRIENDS, INC.

STATEMENTS OF FINANCIAL POSITIONASSETS

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,156,592	\$ 862,300
Investments	1,609,246	4,848,748
Investment, Delaware Community Foundation	11,765	13,512
Contributions receivable	660,731	310,186
Prepaid expenses	12,730	14,550
Property and equipment, net	5,570,672	1,044,444
Other assets	<u>17,238</u>	<u>16,034</u>
<u>Total Assets</u>	<u>\$ 9,038,974</u>	<u>\$ 7,109,774</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 655,661	\$ 148,023
Note payable - Paycheck Protection Program		325,000
Refundable advances	<u>140,000</u>	
<u>Total Liabilities</u>	<u>795,661</u>	<u>473,023</u>
<u>Net Assets</u>		
Without donor restrictions	6,978,173	2,419,606
With donor restrictions	<u>1,265,140</u>	<u>4,217,145</u>
<u>Total Net Assets</u>	<u>8,243,313</u>	<u>6,636,751</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 9,038,974</u>	<u>\$ 7,109,774</u>

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

FAITHFUL FRIENDS, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>Public Support and Revenue</u>			
<u>Public Support</u>			
Grants and contributions of cash and other financial assets	\$ 2,353,297	\$ 1,764,977	\$ 4,118,274
Grants and contributions of nonfinancial assets	<u>55,776</u>	<u>                    </u>	<u>55,776</u>
<u>Total Public Support</u>	<u>2,409,073</u>	<u>1,764,977</u>	<u>4,174,050</u>
 <u>Support and Revenue</u>			
Fundraising	126,276		126,276
Program service fees	38,586		38,586
Clinic fees	649,100		649,100
Adoption fees	143,784		143,784
Retail sales	1,435		1,435
Interest income	12,030		12,030
Unrealized losses on investments	(84,441)		(84,441)
Miscellaneous revenue	<u>10,501</u>		<u>10,501</u>
<u>Total Support and Revenue</u>	<u>897,271</u>		<u>897,271</u>
 <u>Net Assets Released from Donor Restrictions</u>	<u>4,716,982</u>	<u>(4,716,982)</u>	
<u>Total Public Support and Revenue</u>	<u>8,023,326</u>	<u>(2,952,005)</u>	<u>5,071,321</u>
 <u>Expenses</u>			
Program services	<u>2,777,507</u>		<u>2,777,507</u>
 <u>Support Services</u>			
Management and general	79,457		79,457
Fundraising - Development	575,539		575,539
Fundraising - Events	<u>32,256</u>		<u>32,256</u>
<u>Total Support Services</u>	<u>687,252</u>		<u>687,252</u>
<u>Total Expenses</u>	<u>3,464,759</u>		<u>3,464,759</u>
 <u>Change in Net Assets</u>	4,558,567	(2,952,005)	1,606,562
 <u>Net Assets</u>			
Beginning of year	<u>2,419,606</u>	<u>4,217,145</u>	<u>6,636,751</u>
End of year	<u>\$ 6,978,173</u>	<u>\$ 1,265,140</u>	<u>\$ 8,243,313</u>

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

2021		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 2,028,003	\$ 1,265,488	\$ 3,293,491
<u>118,989</u>		<u>118,989</u>
<u>2,146,992</u>	<u>1,265,488</u>	<u>3,412,480</u>
98,205		98,205
55,783		55,783
696,128		696,128
154,012		154,012
2,127		2,127
13,947		13,947
(53,612)		(53,612)
<u>9,901</u>		<u>9,901</u>
<u>976,491</u>		<u>976,491</u>
<u>380,130</u>	<u>(380,130)</u>	
<u>3,503,613</u>	<u>885,358</u>	<u>4,388,971</u>
<u>2,237,339</u>		<u>2,237,339</u>
82,390		82,390
321,249		321,249
<u>11,690</u>		<u>11,690</u>
<u>415,329</u>		<u>415,329</u>
<u>2,652,668</u>		<u>2,652,668</u>
850,945	885,358	1,736,303
<u>1,568,661</u>	<u>3,331,787</u>	<u>4,900,448</u>
<u>\$ 2,419,606</u>	<u>\$ 4,217,145</u>	<u>\$ 6,636,751</u>

## FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

<u>Expenses</u>	Year Ended June 30, 2022				
	<u>Program Services</u>	<u>Support Services</u>		<u>Total Support Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Director's salary	\$ 34,824	\$ 9,950	\$ 54,723	\$ 64,673	\$ 99,497
Salaries, wages and benefits	1,640,918	38,161	228,965	267,126	1,908,044
Payroll taxes	140,699	3,272	19,632	22,904	163,603
Payroll fees	5,081	118	709	827	5,908
<u>Total Salaries and Related Expenses</u>	1,821,522	51,501	304,029	355,530	2,177,052
Advertising	15,262				15,262
Bank and vendor fees	9,221	9,221	18,442	27,663	36,884
Clinic equipment	14,295				14,295
Dept. of Agr. - Rabies	10,620				10,620
Depreciation	45,913	1,020	4,081	5,101	51,014
Dues and publications	6,213		327	327	6,540
Equipment rental	15,197	338	1,351	1,689	16,886
Fundraising - Development			217,649	217,649	217,649
Fundraising - Events			32,256	32,256	32,256
Gas and vehicle expense	3,221				3,221
Husbandry	74,025				74,025
Insurance	53,315	1,185	4,739	5,924	59,239
Maintenance	36,969	822	3,286	4,108	41,077
Medical supplies	243,808				243,808
Office supplies	9,116	203	810	1,013	10,129
Postage	527	527	4,215	4,742	5,269
Professional fees		11,441	3,814	15,255	15,255
Program supplies	101,517				101,517
Property insurance	2,289	51	203	254	2,543
Rent	77,659	1,726	6,903	8,629	86,288
Retail expenses	1,124				1,124
Security system	1,227	27	109	136	1,363
Software expense	8,624				8,624
Telephone and internet	21,049	468	1,871	2,339	23,388
Transfer fees	16,301				16,301
Trash	7,704	171	685	856	8,560
Utilities	34,026	756	3,025	3,781	37,807
Veterinary hospitals	140,026				140,026
Volunteer program expense	3,326				3,326
Website	3,411				3,411
<u>Total Expenses</u>	<u>\$ 2,777,507</u>	<u>\$ 79,457</u>	<u>\$ 607,795</u>	<u>\$ 687,252</u>	<u>\$ 3,464,759</u>

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



FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

<u>Expenses</u>	Year Ended June 30, 2021				
	<u>Program Services</u>	<u>Support Services</u>		<u>Total Support Services</u>	<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>		
Director's salary	\$ 42,161	\$ 16,865	\$ 25,297	\$ 42,162	\$ 84,323
Salaries, wages and benefits	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>1,466,775</u>	<u>49,615</u>	<u>205,421</u>	<u>255,036</u>	<u>1,721,811</u>
<u>Total Salaries and Related Expenses</u>					
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>\$ 2,237,339</u>	<u>\$ 82,390</u>	<u>\$ 332,939</u>	<u>\$ 415,329</u>	<u>\$ 2,652,668</u>
<u>Total Expenses</u>					

FAITHFUL FRIENDS, INC.

STATEMENTS OF CASH FLOWS

	<u>Year Ended June 30,</u>	
	<u>2022</u>	<u>2021</u>
<u>Cash Flows From Operating Activities</u>		
Grants and contributions received	\$ 2,334,477	\$ 1,440,585
Program service and other fees received	843,406	918,009
Cash received from fundraising activities	126,276	98,205
Cash paid to suppliers and employees	(2,849,715)	(2,535,296)
Interest received	12,030	13,947
	<u>466,474</u>	<u>(64,550)</u>
<u>Net Cash Provided By (Used For) Operating Activities</u>		
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(4,577,242)	(432,167)
Proceeds from sale of investments, marketable securities	4,405,054	
Purchase of investments, marketable securities - Net		(171,723)
Investment, Delaware Community Foundation - Net	6	125
	<u>(172,182)</u>	<u>(603,765)</u>
<u>Net Cash Used For Investing Activities</u>		
<u>Cash Flows From Financing Activities</u>		
Proceeds from Paycheck Protection Program loan		325,000
		<u>325,000</u>
<u>Net Change In Cash and Cash Equivalents</u>	294,292	(343,315)
<u>Cash and Cash Equivalents</u>		
Beginning of year	862,300	1,205,615
	<u>862,300</u>	<u>1,205,615</u>
End of year	\$ 1,156,592	\$ 862,300
	<u>\$ 1,156,592</u>	<u>\$ 862,300</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>2022</u>	<u>2021</u>
<u>Change In Net Assets</u>	\$ 1,606,562	\$ 1,736,303
 <u>Adjustments To Reconcile Change In Net Assets To Net Cash Provided By (Used For) Operating Activities</u>		
Depreciation	51,014	57,507
Unrealized losses on investments	84,441	53,612
Non-cash contribution of marketable securities	(1,248,252)	(1,871,332)
Loss on disposal of property and equipment		58
Paycheck Protection Program loan forgiveness	(325,000)	(347,047)
Decrease (increase) in:		
Contributions receivable	(350,545)	365,473
Prepaid expenses	1,820	12,000
Other assets	(1,204)	(11,739)
Increase (decrease) in:		
Refundable advances	140,000	
Accounts payable and accrued expenses	<u>507,638</u>	<u>(59,385)</u>
 <u>Net Cash Provided By (Used For) Operating Activities</u>	 <u>\$ 466,474</u>	 <u>\$ (64,550)</u>

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 individual and business contributions, various government and foundation grants and clinic and adoption fees.

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, 2022 AND 2021

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.

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

The Organization recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customer. 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.

Advertising Expense

The Organization expenses advertising costs when incurred.

FAITHFUL FRIENDS, INC.

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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. Please note that the percentage of costs allocated to Fundraising increased by 5% from FY 2021 to FY 2022 primarily due to increases in salaries of fundraising personnel, increases in staff time spent on the Building Compassion Capital Campaign, and the engagement of a fundraising consultant.

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

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- 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.

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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:

	<u>June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions Receivable			\$660,731	\$ 660,731
<u>Investments:</u>				
Mutual funds	\$ 479,331			479,331
Money market funds	1,129,915			1,129,915
Investment - Delaware Community Foundation	_____	_____	<u>11,765</u>	<u>11,765</u>
<u>Total</u>	<u>\$1,609,246</u>	<u>\$ -0-</u>	<u>\$672,496</u>	<u>\$2,281,742</u>



FAITHFUL FRIENDS, INC.

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	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>				
Mutual funds	\$ 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 Community Foundation			13,512	13,512
<u>Total</u>	<u>\$3,842,005</u>	<u>\$1,006,743</u>	<u>\$323,698</u>	<u>\$5,172,446</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>2022</u>	<u>2021</u>
<u>Balance</u> - Beginning of year	\$13,512	\$10,668
Unrealized gain (loss)	(1,741)	2,969
Interest and dividends	302	178
Investment expense	(308)	(303)
<u>Balance</u> - End of year	<u>\$11,765</u>	<u>\$13,512</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>2022</u>	<u>2021</u>
<u>Balance</u> - Beginning of year	\$ 310,186	\$ 675,659
Amounts pledged	594,198	448,937
Cash received	(229,699)	(812,322)
Adjustment for net present value	(13,954)	(2,088)
<u>Balance</u> - End of year	<u>\$ 660,731</u>	<u>\$ 310,186</u>

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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, 2022, 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	\$ 1,156,592	
<u>Less:</u> Bank restricted as collateral for line of credit	(500,008)	
<u>Less:</u> Donor restricted for use toward the Capital Campaign	<u>(494,041)</u>	\$ 162,543
Contributions receivable	660,731	
<u>Less:</u> Donor restricted for use toward the Capital Campaign	<u>(649,420)</u>	11,311
Investments	1,621,011	
<u>Less:</u> Donor restricted for use toward the Capital Campaign and other	<u>(748,130)</u>	<u>872,881</u>
<u>Net Financial Resources Available to Meet Cash Needs for General Expenditures Within One Year</u>		<u>\$1,046,735</u>

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

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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 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 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 adopted the provisions of ASU 2020-07 during the year ended June 30, 2022 using the full retrospective approach. The adoption did not have a material effect on the accompanying financial statements other than incorporating the new presentation and additional disclosures about the Organization's contributed nonfinancial assets.

FAITHFUL FRIENDS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 3 - Unconditional Promises to Give

Unconditional promises to give are comprised of:

	June 30,	
	2022	2021
Restricted for specific programs	<u>\$674,685</u>	<u>\$312,274</u>
Receivable in less than one year	440,685	245,947
Receivable in one to five years	<u>234,000</u>	<u>66,327</u>
<u>Total Unconditional Promises to Give</u>	674,685	312,274
Discounts to net present value	<u>(13,954)</u>	<u>(2,088)</u>
<u>Net Unconditional Promises to Give</u>	<u>\$660,731</u>	<u>\$310,186</u>

Promises to give in more than one year are discounted at 4.75% and 3.25% for the years ended June 30, 2022 and 2021, respectively.

Note 4 - Conditional Promises to Give

Conditional promises to give are comprised of:

	June 30,	
	2022	2021
Promise conditioned upon operation of new building no later than 2024	<u>\$1,300,000</u>	<u>\$1,440,000</u>

The Conditional Promises to Give are not recognized in public support and revenue for the years ended June 30, 2022 and 2021 and will be recognized as revenue when the respective conditions are met in future years. During the year ended June 30, 2022, the Organization received \$140,000 of the original conditional promise. As the conditions have not yet been met, management has classified this as a conditional contribution and therefore the proceeds have been recorded as refundable advances on the accompanying statements of financial position in accordance with ASC 958-605. The contribution is expected to be recognized as revenue upon operation of the new shelter building.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

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 expired 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 \$1,200 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 \$1,200 and renews annually unless notice of 120 days is given. Beginning in July 2022 the lease terms changed for all buildings to be month-to-month. Rent expense related to these operating leases totaled \$86,288 and \$83,259 for the years ended June 30, 2022 and 2021, respectively.

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 Organization also is incurring costs related to the interior fit out of the new building, currently anticipated to total \$3,038,651 and is subject to change. As of June 30, 2022, the Organization has incurred costs on these commitments totaling \$4,723,582.

The worldwide spread of the COVID-19 virus has resulted in adverse economic effects for many businesses, organizations and governments and may negatively affect the Organization. The Organization has not experienced any identified interruptions or other quantifiable impacts to its operations; however, the related impact and duration cannot be reasonably estimated at this time.

FAITHFUL FRIENDS, INC.  
NOTES TO FINANCIAL STATEMENTS  
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Note 7 - Property and Equipment

The following summarizes property and equipment:

	June 30,	
	2022	2021
Furniture, fixtures and equipment	\$ 354,723	\$ 343,433
Leasehold improvements	241,837	241,837
Construction in progress	5,411,508	847,006
Website development	25,450	24,000
	6,033,518	1,456,276
<u>Less: Accumulated depreciation</u>	<u>462,846</u>	<u>411,832</u>
<u>Net Property and Equipment</u>	<u>\$5,570,672</u>	<u>\$1,044,444</u>

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,

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JUNE 30, 2022 AND 2021

2021. The Organization applied for and received forgiveness of the entire balance of the PPP loan in August of 2021.

Note 9 - Construction Line of Credit

At June 30, 2022, the Organization has available a \$2,000,000 non-revolving commercial line of credit with Artisans' Bank. Interest is charged at a fixed rate of 5% and due monthly. Funding is available through June 30, 2023. Annual principal payments are due beginning June 30, 2024 with the final balance due in full on June 30, 2027. As collateral, the Organization has assigned \$500,000 to be held in a deposit account with Artisans' Bank. The funds are to be used for the completion, relocation, and opening of the Organization's new shelter building. Subsequent to June 30, 2022, Artisan's Bank approved the Organization's request to use up to \$300,000 of loan proceeds for certain additional purposes. At June 30, 2022 the outstanding balance is \$-0-.

Note 10 - 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.

Note 11 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Capital campaign	<u>\$1,265,140</u>	<u>\$4,217,145</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

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

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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. As of June 30, 2022, the Organization had raised most of the funding, through its Building Compassion Capital Campaign, for the construction of the facility. The land was cleared and prepared in July 2020, construction of the building started in August 2021, and the building should be substantially completed in the beginning of calendar year 2023. The Organization plans to move into the new building in the first quarter of calendar year 2023.

Note 12 - Related Party Transactions

During the years ended June 30, 2022 and 2021, the Organization recognized unconditional promises to give from Board members or their affiliates totaling \$90,500 and \$-0-, respectively. Amounts due on unconditional promises to give recognized in prior years from Board members or their affiliates total \$37,163 and \$96,163 at June 30, 2022 and June 30, 2021, respectively. During the years ended June 30, 2022 and 2021, the Organization also was given notice of conditional promises to give from Board members or their affiliates totaling \$-0- and \$1,000,000, respectively.

Note 13 - Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the statements of activities consisted of the following:

	<u>June 30,</u>	
	<u>2022</u>	<u>2021</u>
Construction services - Pet Adoption and Community Rescue Center	\$40,000	\$102,000
Veterinary services - Program services	<u>15,776</u>	<u>16,989</u>
<u>Total</u>	<u>\$55,776</u>	<u>\$118,989</u>



FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

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The Organization recognized contributed nonfinancial assets within revenue, included donated construction and veterinary services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions. Contributed services are valued and are reported at the estimated fair value based on current rates for similar services.

Note 14 - Bequest

During the year ended June 30, 2020, the Organization was notified that Delaware Community Foundation (DCF) was the recipient of a portion of a decedent's Trust. The Declaration of Trust established that the funds were to be established as an endowment in DCF's name for the benefit of the Organization, with such funds to be held and invested by DCF. The initial estimated value of the distribution was \$625,000 (since reduced). Approximately \$400,000 of the distribution was paid by the Trust to DCF during the year ended June 30, 2022. An additional distribution will be made to DCF after the resolution of any potential tax issues regarding the decedent's estate. The Organization will receive a distribution each year from the endowment based on the investment performance of the assets and DCF's formula for making endowment distributions. The underlying assets of the endowment are excluded from the Organization's financial statements since the assets legally belong to DCF and DCF has variance power over such assets.

Note 15 - Subsequent Events

Management has evaluated all subsequent events through December 28, 2022, the date the financial statements were available to be issued.