

FAITHFUL FRIENDS, INC.

FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

FAITHFUL FRIENDS, INC.

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JUNE 30, 2024 AND 2023

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Independent Auditor's Report

Board of Directors
Faithful Friends, Inc.
New Castle, 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, 2024 and 2023, 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, 2024 and 2023, 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
November 22, 2024

FAITHFUL FRIENDS, INC.

STATEMENTS OF FINANCIAL POSITIONASSETS

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 568,327	\$ 619,475
Certificate of deposit	522,892	504,161
Investments	224,308	410,623
Investment, Delaware Community Foundation		12,604
Contributions receivable	1,496,839	2,040,284
Receivable from Government	419,699	
Prepaid expenses	9,454	10,665
Property and equipment, net	10,684,350	10,108,320
Other assets	<u>2,295</u>	<u>17,238</u>
<u>Total Assets</u>	<u>\$ 13,928,164</u>	<u>\$ 13,723,370</u>

LIABILITIES AND NET ASSETS

<u>Liabilities</u>		
Note payable - Bank	\$ 1,250,000	\$ 1,250,000
Accounts payable and accrued expenses	341,141	432,138
Finance lease liability	<u>39,487</u>	<u>48,915</u>
<u>Total Liabilities</u>	<u>1,630,628</u>	<u>1,731,053</u>
<u>Net Assets</u>		
<u>Without donor restrictions</u>		
Board designated - Endowment Fund	207,350	98,016
Undesignated	<u>11,506,047</u>	<u>11,090,831</u>
<u>Total without donor restrictions</u>	<u>11,713,397</u>	<u>11,188,847</u>
With donor restrictions	<u>584,139</u>	<u>803,470</u>
<u>Total Net Assets</u>	<u>12,297,536</u>	<u>11,992,317</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 13,928,164</u>	<u>\$ 13,723,370</u>

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

FAITHFUL FRIENDS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Public Support and Revenue</u>			
<u>Public Support</u>			
Grants and contributions of cash and other financial assets	\$ 2,808,906	\$ 773,747	\$ 3,582,653
Grants and contributions of nonfinancial assets	12,540		12,540
<u>Total Public Support</u>	2,821,446	773,747	3,595,193
<u>Support and Revenue</u>			
Fundraising events	178,442		178,442
Program service fees	79,347		79,347
Clinic fees	490,571		490,571
Adoption fees	116,737		116,737
Retail sales	2,558		2,558
Interest income	39,927		39,927
Unrealized gain (loss) on investments	(2,671)		(2,671)
Miscellaneous revenue	375,736		375,736
Gain (loss) on disposal of property and equipment	2,360		2,360
<u>Total Support and Revenue</u>	1,283,007		1,283,007
<u>Net Assets Released from Donor Restrictions</u>	993,078	(993,078)	
<u>Total Public Support and Revenue</u>	5,097,531	(219,331)	4,878,200
<u>Expenses</u>			
Program services	3,829,397		3,829,397
<u>Support Services</u>			
Management and general	112,909		112,909
Fundraising - Development	607,647		607,647
Fundraising - Events	23,028		23,028
<u>Total Support Services</u>	743,584		743,584
<u>Total Expenses</u>	4,572,981		4,572,981
<u>Change in Net Assets</u>	524,550	(219,331)	305,219
<u>Net Assets</u>			
Beginning of year	11,188,847	803,470	11,992,317
End of year	\$ 11,713,397	\$ 584,139	\$ 12,297,536

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

<u>2023</u>		
<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
\$ 2,382,653	\$ 4,365,010	\$ 6,747,663
<u>39,995</u>		<u>39,995</u>
<u>2,422,648</u>	<u>4,365,010</u>	<u>6,787,658</u>
157,512		157,512
66,605		66,605
314,162		314,162
113,591		113,591
195		195
29,710		29,710
795		795
11,670		11,670
<u>(81,599)</u>		<u>(81,599)</u>
<u>612,641</u>		<u>612,641</u>
<u>4,826,680</u>	<u>(4,826,680)</u>	
<u>7,861,969</u>	<u>(461,670)</u>	<u>7,400,299</u>
<u>3,047,198</u>		<u>3,047,198</u>
85,895		85,895
491,830		491,830
<u>26,372</u>		<u>26,372</u>
<u>604,097</u>		<u>604,097</u>
<u>3,651,295</u>		<u>3,651,295</u>
4,210,674	(461,670)	3,749,004
<u>6,978,173</u>	<u>1,265,140</u>	<u>8,243,313</u>
<u>\$ 11,188,847</u>	<u>\$ 803,470</u>	<u>\$ 11,992,317</u>

FAITHFUL FRIENDS, INC.
STATEMENTS OF FUNCTIONAL EXPENSES

<u>Expenses</u>	Year Ended June 30, 2024				
	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
		<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Director's salary	\$ 60,657	\$ 12,131	\$ 48,526	\$ 60,657	\$ 121,314
Salaries, wages and benefits	2,147,470	48,806	244,031	292,837	2,440,307
Payroll taxes	160,834	3,655	18,276	21,931	182,765
Payroll fees	8,068	183	917	1,100	9,168
<u>Total Salaries and Related Expenses</u>	2,377,029	64,775	311,750	376,525	2,753,554
Advertising	31,161				31,161
Bank and vendor fees	8,130	8,130	16,258	24,388	32,518
Clinic equipment	1,630				1,630
Dept. of Agr. - Rabies	9,378				9,378
Depreciation	345,053	7,668	30,671	38,339	383,392
Dues and publications	6,054		319	319	6,373
Equipment rental	3,044	68	270	338	3,382
Fundraising - Development			202,419	202,419	202,419
Fundraising - Events			23,028	23,028	23,028
Gas and vehicle expense	4,000				4,000
Husbandry	117,618				117,618
Insurance	66,190	1,471	5,884	7,355	73,545
Interest	57,191	1,271	5,084	6,355	63,546
Maintenance	51,927	1,154	4,616	5,770	57,697
Moving and storage	18,351	408	1,631	2,039	20,390
Medical supplies	290,487				290,487
Office supplies	34,567	768	3,073	3,841	38,408
Postage	520	520	4,164	4,684	5,204
Professional fees		23,856	10,224	34,080	34,080
Program supplies	128,831				128,831
Rent	28,132	625	2,501	3,126	31,258
Retail expense	2,956				2,956
Security system	282	6	25	31	313
Software expense	9,320				9,320
Telephone and internet	25,374	564	2,256	2,820	28,194
Transfer fees, net of reimbursements	505				505
Trash	16,600	369	1,476	1,845	18,445
Utilities	56,543	1,256	5,026	6,282	62,825
Veterinary hospitals	130,636				130,636
Volunteer program expense	4,820				4,820
Website	3,068				3,068
<u>Total Expenses</u>	<u>\$ 3,829,397</u>	<u>\$ 112,909</u>	<u>\$ 630,675</u>	<u>\$ 743,584</u>	<u>\$ 4,572,981</u>

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

FAITHFUL FRIENDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended June 30, 2023				
	Support Services				
<u>Expenses</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Support Services</u>	<u>Total</u>
Director's salary	\$ 50,869	\$ 11,304	\$ 50,869	\$ 62,173	\$ 113,042
Salaries, wages and benefits	1,766,956	40,158	200,791	240,949	2,007,905
Payroll taxes	144,930	3,294	16,469	19,763	164,693
Payroll fees	6,601	150	750	900	7,501
<u>Total Salaries and Related Expenses</u>	1,969,356	54,906	268,879	323,785	2,293,141
Advertising	19,638				19,638
Bank and vendor fees	7,726	7,726	15,453	23,179	30,905
Clinic equipment	4,983				4,983
Dept. of Agr. - Rabies	8,142				8,142
Depreciation	33,796	751	3,004	3,755	37,551
Dues and publications	6,189		326	326	6,515
Equipment rental	13,635	303	1,212	1,515	15,150
Fundraising - Development			167,419	167,419	167,419
Fundraising - Events			26,372	26,372	26,372
Gas and vehicle expense	4,296				4,296
Husbandry	98,688				98,688
Insurance	55,514	1,234	4,934	6,168	61,682
Interest	14,206	315	1,263	1,578	15,784
Maintenance	36,202	804	3,218	4,022	40,224
Moving and storage	11,713	260	1,041	1,301	13,014
Medical supplies	211,820				211,820
Office supplies	9,470	210	842	1,052	10,522
Postage	496	496	3,966	4,462	4,958
Professional fees		15,079	5,026	20,105	20,105
Program supplies	104,965				104,965
Property insurance	1,228	27	109	136	1,364
Rent	78,928	1,754	7,016	8,770	87,698
Security system	1,627	36	145	181	1,808
Software expense	9,968				9,968
Telephone and internet	23,049	512	2,049	2,561	25,610
Transfer fees, net of reimbursements	(240)				(240)
Trash	10,936	243	972	1,215	12,151
Utilities	55,752	1,239	4,956	6,195	61,947
Veterinary hospitals	249,466				249,466
Volunteer program expense	2,507				2,507
Website	3,142				3,142
<u>Total Expenses</u>	<u>\$ 3,047,198</u>	<u>\$ 85,895</u>	<u>\$ 518,202</u>	<u>\$ 604,097</u>	<u>\$ 3,651,295</u>

FAITHFUL FRIENDS, INC.

STATEMENTS OF CASH FLOWS

	<u>Years Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Cash Flows From Operating Activities</u>		
Grants and contributions received	\$ 2,915,169	\$ 2,462,709
Program service and other fees received	645,250	506,223
Cash received from fundraising activities	178,442	157,512
Cash paid to suppliers and employees	(4,251,892)	(3,795,207)
Interest received	<u>21,196</u>	<u>25,549</u>
<u>Net Cash Used For Operating Activities</u>	<u>(491,835)</u>	<u>(643,214)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(959,422)	(4,606,338)
Proceeds from sale of property and equipment	2,360	
Purchase of certificate of deposit		(500,000)
Proceeds from sale of investments, marketable securities	235,778	1,721,593
Investment, Delaware Community Foundation - Net	<u>12,604</u>	<u> </u>
<u>Net Cash Used For Investing Activities</u>	<u>(708,680)</u>	<u>(3,384,745)</u>
<u>Cash Flows From Financing Activities</u>		
Capital campaign contributions received	1,158,795	2,242,387
Proceeds from note payable		1,250,000
Repayment of finance lease liability	<u>(9,428)</u>	<u>(1,545)</u>
<u>Net Cash Provided By Financing Activities</u>	<u>1,149,367</u>	<u>3,490,842</u>
<u>Net Change In Cash and Cash Equivalents</u>	(51,148)	(537,117)
<u>Cash and Cash Equivalents</u>		
Beginning of year	<u>619,475</u>	<u>1,156,592</u>
End of year	<u>\$ 568,327</u>	<u>\$ 619,475</u>

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

RECONCILIATIONS OF CHANGE IN NET ASSETS TO NET CASH
USED FOR OPERATING ACTIVITIES

	<u>Years Ended June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Change In Net Assets</u>	\$ 305,219	\$ 3,749,004
<u>Adjustments To Reconcile Change In Net Assets To Net Cash Used For Operating Activities</u>		
Depreciation	383,392	37,551
Unrealized (gain) loss on investments	2,671	(795)
Non-cash contribution of marketable securities	(52,134)	(523,014)
(Gain) loss on disposal of property and equipment	(2,360)	81,599
Capital campaign contributions received	(1,158,795)	(2,242,387)
Interest income	(18,731)	(4,161)
Decrease (increase) in:		
Contributions receivable	543,445	(1,379,553)
Receivable from Government	(419,699)	
Prepaid expenses	1,211	2,065
Other assets	14,943	
Increase (decrease) in:		
Refundable advances		(140,000)
Accounts payable and accrued expenses	<u>(90,997)</u>	<u>(223,523)</u>
<u>Net Cash Used For Operating Activities</u>	<u>\$ (491,835)</u>	<u>\$ (643,214)</u>

Significant Noncash Investing and Financing Activities

The Organization entered into a finance lease arrangement to acquire office equipment in the amount of \$50,460 during the year ended June 30, 2023.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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, fundraising, 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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 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 that are recognized as revenue are recorded at their fair values at the date of receipt. A substantial number of volunteers have contributed significant amounts of time in conjunction with the program services of the Organization for which no amount has been recorded in the financial statements because the services did not meet the criteria for recognition under accounting principles generally accepted in the United States of America.

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.

Board Designated - Endowment Fund

During the year ended June 30, 2024, the Board approved an endowment policy to provide guidelines for investing and spending its General Endowment Fund. The policy establishes guidance surrounding, among other things, the type and manner of gifts that may be received, distribution objectives and strategy, and investment management.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

In connection with a gift agreement with a donor, the Organization received contributions in the amount of \$101,984 and \$98,016 during the years ended June 30, 2024 and 2023, respectively. These contributions, along with investment income earned on these funds, have been classified as Board Designated - Endowment Fund within net assets without donor restrictions.

Revenue Recognition

With respect to revenue from program service fees, clinic fees, adoption fees, and retail sales, the Organization recognizes revenue in accordance with ASC Topic 606, Revenue from Contracts with Customer. 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.

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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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. The depreciation expense on assets acquired under finance leases is included with depreciation expense on owned 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.

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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 can consist of common stocks, exchange traded funds, mutual funds, money market accounts, and certificates of deposit. 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. 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 had pooled funds which were 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 were primarily mutual funds held in accordance with DCF's investment policy.

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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	June 30, 2024			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions receivable			\$1,496,839	\$ 1,496,839
Certificate of deposit		\$522,892		522,892
<u>Investment</u>				
Money market funds	\$224,308			224,308
<u>Total</u>	<u>\$224,308</u>	<u>\$522,892</u>	<u>\$1,496,839</u>	<u>\$2,244,039</u>

	June 30, 2023			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributions receivable			\$2,040,284	\$ 2,040,284
Certificate of deposit		\$504,161		504,161
<u>Investments</u>				
Certificate of deposit		247,651		247,651
Money market funds	\$162,972			162,972
Investment - Delaware Community Foundation			12,604	12,604
<u>Total</u>	<u>\$162,972</u>	<u>\$751,812</u>	<u>\$2,052,888</u>	<u>\$2,967,672</u>

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Balance</u> - Beginning of year	\$ 12,604	\$11,765
Unrealized gain	817	840
Interest and dividends	287	301
Investment expense	(262)	(302)
Redemption	<u>(13,446)</u>	<u> </u>
<u>Balance</u> - End of year	<u>\$ -0-</u>	<u>\$12,604</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:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
<u>Balance</u> - Beginning of year	\$2,040,284	\$ 660,731
Amounts pledged	520	4,541,159
Cash received	(662,598)	(2,781,693)
Adjustment for net present value	<u>118,633</u>	<u>(379,913)</u>
<u>Balance</u> - End of year	<u>\$1,496,839</u>	<u>\$ 2,040,284</u>

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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

The following reflects the Organization's financial assets as of June 30, 2024, reduced by amounts not available for general expenditures because of contractual or donor-imposed restrictions or Board designated endowments. These financial assets, net of the reductions, are available within one year of the statements of financial position date.

Cash and cash equivalents	\$ 568,327	
Certificate of deposit	522,892	
<u>Less:</u> Bank restricted as collateral for line of credit	(500,000)	
<u>Less:</u> Donor restricted for use toward the Capital Campaign	<u>(118,137)</u>	\$ 473,082
Contributions receivable	1,496,839	
<u>Less:</u> Donor restricted for use toward the Capital Campaign	(907,673)	
<u>Less:</u> Amount restricted for future years	<u>(559,139)</u>	30,027
Investments	224,308	
<u>Less:</u> Donor restricted for use toward the Capital Campaign and other	<u>(2,312)</u>	
Net Investments		221,996
Funds functioning as endowments	<u>(207,350)</u>	
Board designated amounts		<u>(207,350)</u>
<u>Net Financial Resources Available to Meet Cash Needs for General Expenditures Within One Year</u>		<u>\$ 517,755</u>

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Leases

In February 2016, the FASB issued ASC Topic 842, Leases, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statements of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, Leases) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under ASC Topic 840, Leases. The adoption of the new lease standard did not materially impact the change in net assets or cash flows. The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use assets and lease liabilities for leases with a term of 12 months or less.

Note 3 - Certificate of Deposit

The Organization purchased a certificate of deposit during the year ended June 30, 2023 and renewed it in October 2023. The certificate of deposit bears interest at 5% and matures on October 20, 2024. Of the balance, \$500,000 is collateral for the Organization's non-revolving commercial line of credit with Artisans' Bank.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 4 - Unconditional Promises to Give

Unconditional promises to give are comprised of:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Restricted for specific programs	<u>\$1,758,119</u>	<u>\$2,420,197</u>
Receivable in less than one year	349,441	553,302
Receivable in one to five years	<u>1,408,678</u>	<u>1,866,895</u>
<u>Total Unconditional Promises to Give</u>	1,758,119	2,420,197
Discounts to net present value	<u>(261,280)</u>	<u>(379,913)</u>
<u>Net Unconditional Promises to Give</u>	<u>\$1,496,839</u>	<u>\$2,040,284</u>

Promises to give in more than one year are discounted at rates ranging from 3.25% to 8.25%.

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.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 6 - Property and Equipment

The following summarizes property and equipment:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Furniture, fixtures and equipment, mobile unit and vehicles	\$ 838,575	\$ 693,563
Building and improvements	9,894,350	9,349,074
Construction in progress	370,854	101,720
Website development	<u>33,657</u>	<u>33,657</u>
	11,137,436	10,178,014
<u>Less: Accumulated depreciation</u>	<u>453,086</u>	<u>69,694</u>
<u>Net Property and Equipment</u>	<u>\$10,684,350</u>	<u>\$10,108,320</u>

Note 7 - Note Payable - Bank

The Organization had available a \$2,000,000 non-revolving commercial line of credit with Artisans' Bank (Artisans'). The line has been reduced to \$1,750,000 due to a \$250,000 principal payment. Interest on the line of credit is charged at a fixed rate of 5% and is due monthly. Since the Organization made the \$250,000 principal payment during the year ended June 30, 2024, annual principal payments are now dependent upon the outstanding exposure limit (i.e., the original \$2,000,000 line of credit minus any principal payments) as of June 30th of each year beginning June 30, 2024 and ending June 30, 2027 (when the outstanding principal amount plus accrued interest not yet paid is due). After the aforementioned principal payment, the Organization borrowed an additional \$250,000 during the year ended June 30, 2024, leaving an outstanding balance of \$1,250,000. The Organization granted a security interest in certain collateral as provided in its security agreement with Artisans'. As additional collateral, the Organization has assigned \$500,000 which is held in a certificate of deposit account with Artisans'.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

The Organization has used the line of credit funds for the completion, opening, and relocation to the new Sharon Struthers Animal Adoption and Community Center and additional operational expansion needs. As of June 30, 2024, the outstanding balance is \$1,250,000 and matures as follows:

2025	\$ 250,000
2026	500,000
2027	<u>500,000</u>
<u>Total</u>	<u>\$1,250,000</u>

Note 8 - Leases

The Organization is party to a finance lease arrangement relating to office equipment. The future minimum lease payments due under the finance leases, together with the present value of the minimum lease payments at June 30, 2024 are as follows:

2025	\$11,052
2026	11,052
2027	11,052
2028	<u>9,210</u>
<u>Total minimum lease payments</u>	42,366
<u>Less: Amount representing interest at 3.64%</u>	<u>2,879</u>
<u>Present value of the minimum lease payments</u>	39,487
<u>Less: Current portion</u>	<u>9,777</u>
<u>Non-current Portion of Lease Liability</u>	<u>\$29,710</u>

At June 30, 2024, the office equipment under finance lease obligations has a cost of \$50,460 and accumulated depreciation of \$11,774.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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.

Note 10 - Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following:

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Capital campaign – Sharon Struthers Animal Adoption and Community Center	\$ -0-	\$147,347
Subsequent years operations	<u>584,139</u>	<u>656,123</u>
<u>Total</u>	<u>\$584,139</u>	<u>\$803,470</u>

As of June 30, 2024, the Organization had raised most of the construction costs for the Sharon Struthers Animal Adoption and Community Center through its Building Compassion Capital Campaign. The Organization started operations in the new Center in June 2023.

The Organization is legally permitted to use the property only for a Pet Adoption and Community Resource Center and for no other use. Without further State of Delaware 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 is not recorded on the Organization's books.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 11 - Related Party Transactions

During the years ended June 30, 2024 and 2023, the Organization recognized unconditional promises to give from Board members or their affiliates totaling \$-0- and \$1,440,500, respectively. Amounts due on unconditional promises to give from Board members or their affiliates total \$828,625 and \$1,080,714 at June 30, 2024 and June 30, 2023, respectively.

Note 12 - Contributed Nonfinancial Assets

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

	<u>June 30,</u>	
	<u>2024</u>	<u>2023</u>
Construction services - Sharon Struthers		
Animal Adoption and Community Center	\$ -0-	\$19,995
Veterinary services - Program services	<u>12,540</u>	<u>20,000</u>
<u>Total</u>	<u>\$12,540</u>	<u>\$39,995</u>

The Organization recognized contributed nonfinancial assets within revenue, including 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 13 - Delaware Community Foundation Endowment

There is an endowment fund in the name of Delaware Community Foundation (DCF) of which the Organization is the beneficiary. The fund assets are held and invested by DCF. These assets are excluded from the Organization's financial statements as the assets legally belong to DCF and DCF has variance power over such assets. The Organization receives a distribution each year from the endowment based on the endowment's investment performance and DCF's endowment distribution formula. During the years ended June 30, 2024 and 2023, the Organization received distributions in the amount of \$10,356 and \$3,551, respectively.

FAITHFUL FRIENDS, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

Note 14 - Employee Retention Credit

The Coronavirus Aid Relief and Economic Security (CARES) Act created the Employee Retention Credit (ERC) program which was significantly modified and expanded by the Consolidated Appropriations Act in 2021. The ERC can be utilized to reduce the employer's share of Social Security payroll taxes. The Organization, with reasonable assurance, determined that it complied with all the conditions to receive the ERC and filed amended 2020 and 2021 employer quarterly federal tax returns claiming the credit. The amount of the ERC claimed is \$419,699 and is included in the June 30, 2024 Statement of Activities, under Support and Revenue, net of the anticipated fee of \$62,955 that will be due for the retention credit study and filings performed by a third party.

Note 15 - Subsequent Events

Management has evaluated all subsequent events through November 22, 2024, the date the financial statements were available to be issued.

Note 16 - Reclassifications

Certain amounts in the 2023 financial statements have been reclassified to conform with the 2024 presentation.