



2021 AND 2020  
FINANCIAL STATEMENTS

## Independent Auditors' Report

Board of Directors  
Homeward Pet Adoption Center  
Woodinville, Washington

### **Opinion**

We have audited the accompanying financial statements of Homeward Pet Adoption Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and 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 financial statements referred to above present fairly, in all material respects, the financial position of Homeward Pet Adoption Center as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Homeward Pet Adoption Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating 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 Homeward Pet Adoption Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Board of Directors  
Homeward Pet Adoption Center  
Woodinville, Washington

### **Auditors' 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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Homeward Pet Adoption Center'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Homeward Pet Adoption Center'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.

*Baker Tilly US, LLP*

Seattle, Washington  
March 1, 2023

# HOMEWARD PET ADOPTION CENTER

## STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,119,881	\$ 746,545
Investments	1,086,018	995,422
Pledges receivable	8,412	20,988
Accounts receivable	1,072	58,280
Inventory	48,080	46,774
Prepaid expenses	30,285	29,974
Total current assets	2,293,748	1,897,983
Pledges receivable, net of current portion	16,924	29,500
Deposit	37,000	37,000
Leasehold improvements and equipment, net	40,915	39,865
	<b>\$ 2,388,587</b>	<b>\$ 2,004,348</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 111,538	\$ 125,964
Accrued compensated absences	24,951	43,194
Deferred rent	235	4,637
Total current liabilities	136,724	173,795
Deferred rent, net of current portion	15,420	6,881
Total liabilities	152,144	180,676
Net assets:		
Without donor restrictions	2,006,602	1,675,960
With donor restrictions	229,841	147,712
Total net assets	2,236,443	1,823,672
	<b>\$ 2,388,587</b>	<b>\$ 2,004,348</b>

*See notes to financial statements.*

# HOMEWARD PET ADOPTION CENTER

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 1,715,410	\$ 290,854	\$ 2,006,264
Adoptions	134,332		134,332
Special events, net of expenses of \$87,788	113,023		113,023
In-kind contributions	132,408		132,408
Government grant	221,298		221,298
Net investment return	37,419		37,419
Loss on capital campaign pledges		(93,636)	(93,636)
Net assets released from restrictions	115,089	(115,089)	
Total revenue and support	<u>2,468,979</u>	<u>82,129</u>	<u>2,551,108</u>
Expenses:			
Program	1,400,389		1,400,389
Management and general	287,851		287,851
Fundraising	450,097		450,097
Total expenses	<u>2,138,337</u>		<u>2,138,337</u>
Change in net assets from operating	330,642	82,129	412,771
Net assets, beginning of year	<u>1,675,960</u>	<u>147,712</u>	<u>1,823,672</u>
Net assets, end of year	<u><b>\$ 2,006,602</b></u>	<u><b>\$ 229,841</b></u>	<u><b>\$ 2,236,443</b></u>

*See notes to financial statements.*

# HOMEWARD PET ADOPTION CENTER

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2020

	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Contributions	\$ 1,388,899	\$ 151,791	\$ 1,540,690
Adoptions	121,113		121,113
Special events, net of expenses of \$13,652	160,794		160,794
In-kind contributions	132,943		132,943
Foundation grants	72,838		72,838
Government grant	200,000		200,000
Net investment return	54,468		54,468
Net assets released from restrictions	135,808	(135,808)	
Total revenue and support	<u>2,266,863</u>	<u>15,983</u>	<u>2,282,846</u>
Expenses:			
Program	1,427,409		1,427,409
Management and general	245,594		245,594
Fundraising	386,076		386,076
Total expenses	<u>2,059,079</u>		<u>2,059,079</u>
Change in net assets	207,784	15,983	223,767
Net assets, beginning of year	<u>1,468,176</u>	<u>131,729</u>	<u>1,599,905</u>
Net assets, end of year	<u><b>\$ 1,675,960</b></u>	<u><b>\$ 147,712</b></u>	<u><b>\$ 1,823,672</b></u>

*See notes to financial statements.*

# HOMEWARD PET ADOPTION CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

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	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 927,735	\$ 97,185	\$ 358,116	\$ 1,383,036
Animal care	246,194			246,194
Facilities	178,278	22,285	22,285	222,848
Professional fees	7,035	86,294	3,992	97,321
Miscellaneous		21,728	572	22,300
Office	7,021	36,993	878	44,892
Technology		4,117		4,117
Depreciation	14,064	1,758	1,758	17,580
Marketing		9,219	59,894	69,113
Travel	7,618	2,917	2,602	13,137
Volunteer expenses	12,444			12,444
Insurance		4,830		4,830
Store expenses		525		525
Total expenses	<u><u>\$ 1,400,389</u></u>	<u><u>\$ 287,851</u></u>	<u><u>\$ 450,097</u></u>	<u><u>\$ 2,138,337</u></u>

*See notes to financial statements.*

# HOMeward PET ADOPTION CENTER

## STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2020

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	<u>Program</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and related expenses	\$ 895,517	\$ 182,145	\$ 239,454	\$ 1,317,116
Animal care	197,179			197,179
Facilities	147,690	18,462	18,462	184,614
Professional fees	97,432		44,320	141,752
Miscellaneous	37,337	3,035	37,253	77,625
Office	16,492	18,306	32,399	67,197
Technology	6,856	20,938	5,528	33,322
Depreciation	15,918	1,990	1,990	19,898
Marketing			6,670	6,670
Travel	5,120			5,120
Volunteer expenses	4,804			4,804
Insurance	1,675	718		2,393
Store expenses	1,389			1,389
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<b><u>\$ 1,427,409</u></b>	<b><u>\$ 245,594</u></b>	<b><u>\$ 386,076</u></b>	<b><u>\$ 2,059,079</u></b>

*See notes to financial statements.*



# HOMEWARD PET ADOPTION CENTER

## STATEMENTS OF CASH FLOWS

	Year ended December 31,	
	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 412,771	\$ 223,767
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,580	19,898
Net realized and unrealized gain on investments	(15,245)	(33,662)
Donated investments	(51,192)	(75,977)
Net change in assets and liabilities:		
Pledges receivable, net	25,152	(7,572)
Accounts receivable	57,208	(50,488)
Inventory	(1,306)	6,464
Prepaid expenses	(311)	6,239
Accounts payable and accrued liabilities	(14,426)	21,232
Accrued compensated absences	(18,243)	34,866
Deferred rent	4,137	(3,390)
Net cash provided by operating activities	<u>416,125</u>	<u>141,377</u>
Cash flows from investing activities:		
Purchases of investments	(105,339)	(20,772)
Proceeds from sale of investments	81,180	15,439
Purchases of leasehold improvements and equipment	<u>(18,630)</u>	<u></u>
Net cash used in investing activities	<u>(42,789)</u>	<u>(5,333)</u>
Net change in cash and cash equivalents	373,336	136,044
Cash and cash equivalents, beginning of year	<u>746,545</u>	<u>610,501</u>
Cash and cash equivalents, end of year	<u><b>\$ 1,119,881</b></u>	<u><b>\$ 746,545</b></u>

*See notes to financial statements.*

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS

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### 1. Organization:

Homeward Pet Adoption Center (the Organization), located in Woodinville, is one of the leading no-kill animal shelters in Washington State. Founded in 1990, the Organization transforms the lives of cats and dogs in need through compassionate medical care, positive behavior training, and successful adoption while building a more humane community.

The Organization finds new homes for over 1,000 cats, dogs, puppies, and kittens every year. The Organization also provides extensive community outreach programs including distributing food and supplies to 21 area food banks and offering reduced fees for pet services through their Public Spay and Neuter program.

### 2. Summary of significant accounting policies:

#### Basis of accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### Net assets and revenue recognition:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations that consist of assets, liabilities, revenue, and expenses available for current programs and administration. It also consists of capital assets acquired through expenditure of unrestricted funds or in satisfaction of restrictions on funds contributed to purchase capital assets.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed stipulations, and grantors. Some donor restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Net assets and revenue recognition (continued):

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. When a restriction expires or the stipulated purpose has been fulfilled, 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 restrictions. When donor restrictions are met in the same time period in which the contribution is received, the Organization reports the support as without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions.

Revenue is recognized once the Organization's performance obligation to the customer is completed and control of the product or service is transferred to the customer. Revenue for adoption services is recognized at a point-in-time, which is generally when the customer signs the adoption agreement. The Organization sells items needed for animal care that are recognized upon the sale of items, net of sales taxes and discounts. Revenue for pet services is recognized as the services are provided.

#### Cash and cash equivalents:

The Organization considers demand deposit accounts and other unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents with financial institutions and, at times, balances may exceed federally insured limits.

#### Investments:

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade-date basis. Net investment return is reported on the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less external investment expenses.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Fair value measurements:

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, such as: 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, or inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable for the asset or liability.

The following is a description of the valuation methodologies used for assets measured at fair value:

- Money market and mutual funds are valued at quoted market prices in active markets, which represent the net asset value of shares held by the Organization at year-end (Level 1).

There have been no changes in the valuation techniques used during the years ended December 31, 2021 and 2020.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Accounts receivable:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Receivables are considered delinquent if payments are not received in accordance with the contractual terms. Specific accounts are written off against the allowance after management has used all reasonable means to collect.

#### Inventory:

Inventory is stated at the lower of cost and net realizable value under the first-in, first-out method of accounting and consists of medical and other supplies, and pet foods. Donated inventory is valued at estimated fair value using a blended price times the quantity received of the donated item.

#### Deferred rent:

A liability is recorded for the difference between the straight-line rent expense (including renewal options reasonably certain to be exercised) and cash payments made in accordance with the terms of the lease.

#### Leasehold improvements and equipment:

Leasehold improvements and equipment are recorded at cost, except for donated items which are stated at their estimated fair value at the date of the gift. All assets with costs of at least \$2,500 and estimated useful lives exceeding one year are capitalized. Repairs and maintenance are charged to expense as incurred.

Depreciation on equipment is computed using the straight-line method based on an estimated useful life of five years for most assets. Leasehold improvements are amortized over the shorter of the life of the lease, including renewal periods reasonably certain to be exercised, or the useful life of the asset, which is currently six years.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### In-kind contributions:

In-kind contributions are reflected as contributions at estimated fair value at the date of donation and are reported as unrestricted support unless the donor has placed restrictions on how or when the donated assets may be used. Donated services are recognized if they create a non-financial asset or required specialized skills that would have been purchased by the Organization had they not been donated.

#### Functional expenses:

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

#### Advertising:

Advertising costs are recognized as an operating expense when incurred. Advertising expense was approximately \$990 and \$2,000 for the years ended December 31, 2021 and 2020, respectively.

#### Federal income tax:

The Internal Revenue Service has determined the Organization to be exempt from federal income tax under Internal Revenue Code Section 501(c)(3); accordingly, no provision has been made for federal income tax in the accompanying financial statements.

The Organization evaluates its uncertain tax positions and a loss contingency is recognized when it is more likely than not that a liability has been incurred by the Organization as of the date of the financial statements and the amount can be reasonably estimated.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 2. Summary of significant accounting policies (continued):

#### Use of estimates:

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

#### Reclassification:

Certain amounts in the prior year have been reclassified to conform with current year presentation.

#### Subsequent events:

The Organization has evaluated subsequent events through March 1, 2023, the date which the financial statements were available to be issued.

### 3. Liquidity and availability:

The Organization has liquid financial assets sufficient to cover at least 90 days of general expenditures. Financial assets in excess of daily cash requirements are primarily invested in mutual and money market funds.

The following table reflects the Organization's financial assets as of December 31, 2021 and 2020, reduced by the amounts that are not available to meet general expenditures within one year of the statement of financial position dates because of donor restrictions or internal board designations. The Organization receives contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures.

The Board of Directors has designated \$2,744 and \$2,223 of net assets without donor restrictions to be set aside as Board Scholarship Fund as of December 31, 2021 and 2020, respectively. These funds are to be used for staff and volunteer education and training.

These funds may be reclassified as non-designated by an approved motion from the Board of Directors.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 3. Liquidity and availability (continued):

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 1,119,881	\$ 746,545
Investments	1,086,018	995,422
Pledges receivable	25,336	20,988
Accounts receivable	<u>1,072</u>	<u>58,280</u>
 Total financial assets	 2,232,307	 1,821,235
 Donor restricted funds	 (229,841)	 (147,712)
Board designated funds	<u>(2,744)</u>	<u>(2,223)</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 1,999,722</u>	 <u>\$ 1,671,300</u>

### 4. Unconditional promises to give:

Unconditional promises to give are recorded as pledges receivable and revenue when received. The Organization distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Unconditional promises to give are recorded after being discounted to the anticipated net present value of the future cash flows.

There was no allowance for doubtful accounts for the year ended December 31, 2021 and 2020.



# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 4. Unconditional promises to give (continued):

As of December 31, 2021 and 2020, pledges receivable included the following unconditional promises to give:

	2021	2020
Receivable in less than one year	\$ 8,412	\$ 24,000
Receivable in one to five years	<u>23,987</u>	<u>29,500</u>
	32,399	53,500
Less unamortized discount (3.25%)	<u>7,063</u>	<u>3,012</u>
	<u><u>\$ 25,336</u></u>	<u><u>\$ 50,488</u></u>

Subsequent to the end of the year, the Organization amended their facility lease to extend through September 2031. As a result of this decision, the Organization elected to defer the capital campaign that was started to fund the search for the new space during the year ended December 31, 2020. As part of this process, the Organization contacted each of the donors that had pledged or made payments towards the capital campaign to notify them of the changes.

Certain donors elected to cancel the remaining balance of their pledge entirely. These pledges that have been written off during the year ended December 31, 2021 are presented as a loss on capital campaign pledges on the statement of activities in the amount of \$93,636.

The remaining donors elected to either reallocate payments that had been made (if the remaining balance of their pledge was canceled) or their total original pledge to the remodel fund that was established during the year ending December 31, 2022, to improve the current facility or leave it in the capital campaign for future use. The amount of pledges reallocated to the remodel fund is \$72,260 and the amount of pledges remaining in the capital campaign fund are \$16,495.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 5. Investments:

Investments consisted of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 11,000	\$ 10,192
Mutual funds	<u>1,075,018</u>	<u>985,230</u>
	<b><u>\$ 1,086,018</u></b>	<b><u>\$ 995,422</u></b>

Net investment return consisted of the following:

	<u>Year ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
Realized and unrealized gains	\$ 24,846	\$ 40,224
Interest and dividend income	22,174	20,806
Investment fees	<u>(9,601)</u>	<u>(6,562)</u>
	<b><u>\$ 37,419</u></b>	<b><u>\$ 54,468</u></b>

### 6. Inventory:

Inventory consisted of the following:

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Animal food	\$ 33,059	\$ 34,790
Clinic medicine and supplies	<u>15,021</u>	<u>11,984</u>
	<b><u>\$ 48,080</u></b>	<b><u>\$ 46,774</u></b>

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 7. Leasehold improvements and equipment:

Leasehold improvements and equipment consisted of the following:

	December 31,	
	2021	2020
Leasehold improvements	\$ 286,449	\$ 281,126
Transportation equipment	37,763	37,763
Animal kennels	60,640	60,640
Clinic and surgery equipment	45,244	34,569
Office furniture and equipment	41,224	38,592
	471,320	452,690
Less accumulated depreciation	430,405	412,825
	<u>\$ 40,915</u>	<u>\$ 39,865</u>

### 8. Volunteers:

The Organization is dependent on its volunteers who are important to the operations of the Organization. These types of contributed labor do not meet the provisions under accounting principles generally accepted in the United States of America to be recorded in the accompanying financial statements. Management believes over 150,000 and 97,000 hours were contributed by approximately 893 and 900 volunteers during the years ended December 31, 2021 and 2020, respectively.

### 9. Operating leases:

The Organization leases its office and facilities space and certain equipment under operating lease agreements. The office and facilities space lease is payable monthly at \$10,588 and is subject to an annual increase of 5%. The Organization is also responsible for taxes, insurance, and utilities. In March 2021, the lease was extended to September 30, 2024. In April 2022, the Organization's operating lease for office and facilities space was extended to September 30, 2031. The equipment leases are payable monthly at rates between \$350 and \$428, and expire at various times through October 2022. Rental expense under non-cancelable operating leases was \$126,656 and \$109,365 for the years ended December 31, 2021 and 2020, respectively.

# HOMEWARD PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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9. Operating leases (continued):

Future minimum lease payments under non-cancelable operating leases for years ending December 31, are as follows:

2022	\$ 134,600
2023	135,078
2024	154,560
2025	200,475
Thereafter	<u>1,362,143</u>
	<u><b>\$ 1,986,856</b></u>

10. Net assets without donor restrictions:

Net assets without donor restrictions are available for the following purposes for the year ended:

	December 31,	
	<u>2021</u>	<u>2020</u>
Undesignated	\$ 2,003,858	\$ 1,673,737
Board designated operating reserves	<u>2,744</u>	<u>2,223</u>
	<u><b>\$ 2,006,602</b></u>	<u><b>\$ 1,675,960</b></u>

Board-designated funds have been set aside by the Organization's governing body and are available to meet staff and volunteer development as needed.

# HOMeward PET ADOPTION CENTER

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 11. Net assets with donor restrictions:

Net assets with donor restrictions are restricted for the following purposes for the year ended:

	December 31,	
	2021	2020
Subject to expenditure for specified purpose:		
Whoopi's Fund	\$ 70,398	\$ 37,650
Homeward Vet	18,510	19,150
Public Spay & Neuter	20,023	16,035
Behavior program	16,544	16,885
Pay it Forward	15,611	9,655
Capital Campaign	88,755	48,337
	<u>\$ 229,841</u>	<u>\$ 147,712</u>

### 12. Employee benefit plan:

The Organization has a Savings Incentive Match Plan for Employees (SIMPLE/IRA) for employees who earn \$5,000 in gross wages or more annually. The Organization made total contributions of \$27,158 and \$21,828 to the SIMPLE/IRA for the years ended December 31, 2021 and 2020, respectively.

### 13. Paycheck Protection Program loan:

In May 2020, the Organization was granted a loan in the amount of \$200,000 through the U.S. Small Business Administration Paycheck Protection Program. The loan bore interest at 1%. The loan and related interest were forgiven in full in September 2021. As of December 31, 2020, the Organization determined the conditions of forgiveness were substantially met. As such, the Organization recorded the loan as government grant income for the year ended December 31, 2020.

In February 2021, the Organization received a second loan of \$221,298 through the U.S. Small Business Administration Paycheck Protection Program. This loan was forgiven in full in September 2021 and is presented as government grant income for the year ended December 31, 2021.