

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2020, 2019 and 2018

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Carolyn A. Mayes, CPA
Auditing and Consulting Services

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Bay Animal Services
Petaluma, California

Report on the Financial Statements

I have audited the accompanying financial statements of North Bay Animal Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2020, 2019, and 2018, and the related statements of activities, functional expenses, and cash flows for the years ended December 31, 2020 and 2019, and for the period from inception (February 6, 2018) to December 31, 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Bay Animal Services as of December 31, 2020, 2019 and 2018 and the changes in its net assets and its cash flows for the years ended December 31, 2020 and 2019, and for the period from inception (February 6, 2018) through December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Carolyn A Mayes, CPA

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August 5, 2021

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NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statements of Financial Position
December 31, 2020, 2019 and 2018

| | 2020 | December 31, 2019 | 2018 |
|---|----------------|----------------------|--------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 98,400 | \$ 14,493 | \$10,577 |
| Accounts Receivable | 76,685 | 48,100 | 36,017 |
| Prepaid Expenses and Deposits | 9,212 | 6,986 | 6,819 |
| TOTAL CURRENT ASSETS | 184,297 | 69,579 | 53,413 |
| Equipment, net | 38,467 | 4,160 | - |
| TOTAL ASSETS | \$ 222,764 | \$ 73,739 | \$53,413 |
| LIABILITIES AND NET ASSETS | | | |
| Accounts Payable | 59,953 | 46,065 | 30,079 |
| Accrued Salaries and Wages | 28,696 | 25,846 | 13,484 |
| Accrued Paid Time Off | 10,018 | 8,599 | - |
| Other Current Liabilities | 1,506 | 2,684 | 874 |
| Due to Related Party | 46,152 | 41,206 | 24,695 |
| TOTAL LIABILITIES | 146,325 | 124,400 | 69,132 |
| NET ASSETS | | | |
| Without Donor Restrictions | 74,799 | (53,661) | (15,719) |
| With Donor Restrictions | 1,640 | 3,000 | - |
| TOTAL NET ASSETS | 76,439 | (50,661) | (15,719) |
| TOTAL LIABILITIES AND NET ASSETS | \$ 222,764 | \$ 73,739 | \$53,413 |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|------------------------------------|------------------|
| REVENUES AND SUPPORT: | | | |
| Contributions: | | | |
| Individuals | \$ 91,465 | \$ 25,000 | \$ 116,465 |
| Foundations and Businesses | 154,467 | 30,016 | 184,483 |
| In-Kind Contributions | 171,500 | - | 171,500 |
| Government PPP Loan | 92,500 | - | 92,500 |
| Special Events | 17,477 | - | 17,477 |
| Government Contract Income | 695,731 | | 695,731 |
| Licensing Fees | 112,978 | - | 112,978 |
| Adoption Fees | 36,758 | - | 36,758 |
| Other Program fees | 29,547 | - | 29,547 |
| Net Assets Released From Restrictions: | | | |
| Satisfaction of Purpose Restrictions | <u>56,376</u> | <u>(56,376)</u> | <u>-</u> |
| TOTAL REVENUES AND SUPPORT | <u>1,458,799</u> | <u>(1,360)</u> | <u>1,457,439</u> |
| EXPENSES: | | | |
| Program Services: | | | |
| Animal Care | 731,877 | - | 731,877 |
| Animal Rescue | <u>408,732</u> | <u>-</u> | <u>408,732</u> |
| Total Program Services | <u>1,140,609</u> | <u>-</u> | <u>1,140,609</u> |
| Supporting Services: | | | |
| General & Administrative | 172,535 | - | 172,535 |
| Fundraising | <u>17,195</u> | <u>-</u> | <u>17,195</u> |
| Total Supporting Services | <u>189,730</u> | <u>-</u> | <u>189,730</u> |
| TOTAL EXPENSES | <u>1,330,339</u> | <u>-</u> | <u>1,330,339</u> |
| CHANGE IN NET ASSETS | 128,460 | (1,360) | 127,100 |
| NET ASSETS, BEGINNING | <u>(53,661)</u> | <u>3,000</u> | <u>(50,661)</u> |
| NET ASSETS, END OF YEAR | <u>\$ 74,799</u> | <u>\$ 1,640</u> | <u>\$ 76,439</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|------------------------------------|--------------------|
| REVENUES AND SUPPORT: | | | |
| Contributions: | | | |
| Individuals | \$ 101,160 | \$ 13,000 | \$ 114,160 |
| Foundations and Businesses | - | 24,016 | 24,016 |
| In-Kind Contributions | 144,000 | - | 144,000 |
| Special Events | 11,063 | - | 11,063 |
| Government Contract Income | 500,456 | - | 500,456 |
| Licensing Fees | 122,093 | - | 122,093 |
| Adoption Fees | 37,736 | - | 37,736 |
| Other Program fees | 25,799 | - | 25,799 |
| Net Assets Released From Restrictions: | | | |
| Satisfaction of Purpose Restrictions | 34,016 | (34,016) | - |
| TOTAL REVENUES AND SUPPORT | <u>976,323</u> | <u>3,000</u> | <u>979,323</u> |
| EXPENSES: | | | |
| Program Services: | | | |
| Animal Care | 602,322 | - | 602,322 |
| Animal Rescue | 258,048 | - | 258,048 |
| Total Program Services | <u>860,370</u> | <u>-</u> | <u>860,370</u> |
| Supporting Services: | | | |
| General & Administrative | 142,624 | - | 142,624 |
| Fundraising | 11,271 | - | 11,271 |
| Total Supporting Services | <u>153,895</u> | <u>-</u> | <u>153,895</u> |
| TOTAL EXPENSES | <u>1,014,265</u> | <u>-</u> | <u>1,014,265</u> |
| CHANGE IN NET ASSETS | (37,942) | 3,000 | (34,942) |
| NET ASSETS, BEGINNING | (15,719) | - | (15,719) |
| NET ASSETS, END OF YEAR | <u>\$ (53,661)</u> | <u>\$ 3,000</u> | <u>\$ (50,661)</u> |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)

Statement of Activities

For the Period From Inception (February 6, 2018) to December 31, 2018

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---|------------------------------------|----------------|
| REVENUES AND SUPPORT: | | | |
| Contributions: | | | |
| Individuals | \$ 34,447 | \$ - | \$ 34,447 |
| Special Events | 3,806 | - | 3,806 |
| Government Contract Income | 180,085 | - | 180,085 |
| Government Grant Income | 60,000 | - | 60,000 |
| Licensing Fees | 25,707 | - | 25,707 |
| Adoption Fees | 13,765 | - | 13,765 |
| Other Program fees | 10,834 | - | 10,834 |
| Net Assets Released From Restrictions: | | | |
| Satisfaction of Purpose Restrictions | - | - | - |
| TOTAL REVENUES AND SUPPORT | 328,644 | - | 328,644 |
| EXPENSES: | | | |
| Program Services: | | | |
| Animal Care | 217,514 | - | 217,514 |
| Animal Rescue | 62,364 | - | 62,364 |
| Total Program Services | 279,878 | - | 279,878 |
| Supporting Services: | | | |
| General & Administrative | 56,226 | - | 56,226 |
| Fundraising | 8,259 | - | 8,259 |
| Total Supporting Services | 64,485 | - | 64,485 |
| TOTAL EXPENSES | 344,363 | - | 344,363 |
| CHANGE IN NET ASSETS | (15,719) | - | (15,719) |
| NET ASSETS, BEGINNING | - | - | - |
| NET ASSETS, END OF YEAR | \$ (15,719) | \$ - | \$ (15,719) |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2020

| | Program Expenses | | | Supporting Expenses | | Total |
|--------------------------------|-------------------|-------------------|---------------------|--------------------------|------------------|---------------------|
| | Animal Care | Animal Rescue | Total Programs | General & Administrative | Fundraising | |
| EXPENSES | | | | | | |
| Compensation Expenses: | | | | | | |
| Salaries and Wages | \$ 250,849 | \$ 229,590 | \$ 480,439 | \$ 61,863 | \$ 5,155 | \$ 547,457 |
| Payroll Tax Expenses | 20,500 | 18,799 | 39,299 | 5,187 | 432 | 44,918 |
| Employee Benefits | 75,731 | 69,448 | 145,179 | 19,163 | 1,597 | 165,939 |
| Total Compensation Expenses | 347,080 | 317,837 | 664,917 | 86,213 | 7,184 | 758,314 |
| Rent expenses | 134,523 | 5,400 | 139,923 | 13,304 | - | 153,227 |
| Veterinary and outside medical | 101,353 | - | 101,353 | - | - | 101,353 |
| Program supplies | 49,253 | - | 49,253 | - | - | 49,253 |
| Insurance | 9,350 | 5,788 | 15,138 | 29,388 | - | 44,526 |
| Transportation Expenses | 4,204 | 37,839 | 42,043 | - | - | 42,043 |
| Utilities | 33,562 | 573 | 34,135 | 3,319 | - | 37,454 |
| Professional fees | 12,023 | - | 12,023 | 17,701 | - | 29,724 |
| Telephone and Internet | 14,971 | 8,840 | 23,811 | 1,415 | 118 | 25,344 |
| Office supplies | 3,095 | 3,095 | 6,190 | 3,094 | 3,094 | 12,378 |
| Bank and merchant charges | - | - | - | 11,937 | - | 11,937 |
| Small Equipment | 2,342 | 9,370 | 11,712 | - | - | 11,712 |
| Meetings and Events | 7,178 | - | 7,178 | 1,025 | 2,051 | 10,254 |
| Repairs and Maintenance | 9,246 | - | 9,246 | - | - | 9,246 |
| Depreciation | 899 | 8,093 | 8,992 | - | - | 8,992 |
| Postage and Shipping | - | 6,699 | 6,699 | 744 | 1,540 | 8,983 |
| Uniforms | - | 4,199 | 4,199 | - | - | 4,199 |
| Advertising and Promotion | 1,799 | - | 1,799 | - | 2,209 | 4,008 |
| Printing and Copying | 999 | 999 | 1,998 | 999 | 999 | 3,996 |
| Other general expenses | - | - | - | 3,396 | - | 3,396 |
| TOTAL EXPENSES | \$ 731,877 | \$ 408,732 | \$ 1,140,609 | \$ 172,535 | \$ 17,195 | \$ 1,330,339 |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2019

| | Program Expenses | | | Supporting Expenses | | Total |
|--------------------------------|-------------------|-------------------|-------------------|--------------------------|------------------|---------------------|
| | Animal Care | Animal Rescue | Total Programs | General & Administrative | Fundraising | |
| EXPENSES | | | | | | |
| Compensation Expenses: | | | | | | |
| Salaries and Wages | \$ 210,900 | \$ 158,491 | \$ 369,391 | \$ 56,134 | \$ 4,678 | \$ 430,203 |
| Payroll Tax Expenses | 17,590 | 13,177 | 30,767 | 4,544 | 378 | 35,689 |
| Employee Benefits | 46,955 | 35,174 | 82,129 | 12,129 | 1,012 | 95,270 |
| Total Compensation Expenses | 275,445 | 206,842 | 482,287 | 72,807 | 6,068 | 561,162 |
| Rent expenses | 133,077 | - | 133,077 | 12,574 | - | 145,651 |
| Veterinary and outside medical | 96,878 | - | 96,878 | - | - | 96,878 |
| Program supplies | 42,007 | - | 42,007 | - | - | 42,007 |
| Insurance | 8,777 | 5,422 | 14,199 | 27,595 | - | 41,794 |
| Utilities | 24,535 | - | 24,535 | 2,413 | - | 26,948 |
| Transportation Expenses | 2,371 | 21,337 | 23,708 | - | - | 23,708 |
| Professional fees | - | - | - | 13,511 | - | 13,511 |
| Telephone and Internet | 6,030 | 3,213 | 9,243 | 593 | 49 | 9,885 |
| Office supplies | 2,018 | 2,018 | 4,036 | 2,018 | 2,018 | 8,072 |
| Uniforms | - | 7,976 | 7,976 | - | - | 7,976 |
| Bank and merchant charges | - | - | - | 7,103 | - | 7,103 |
| Postage and Shipping | - | 5,367 | 5,367 | 671 | 671 | 6,709 |
| Meetings and Events | 4,247 | - | 4,247 | 607 | 1,214 | 6,068 |
| Small Equipment | 1,047 | 4,186 | 5,233 | - | - | 5,233 |
| Repairs and Maintenance | 4,951 | - | 4,951 | - | - | 4,951 |
| Printing and Copying | 750 | 751 | 1,501 | 750 | 751 | 3,002 |
| Other general expenses | - | - | - | 1,607 | - | 1,607 |
| Depreciation | 104 | 936 | 1,040 | - | - | 1,040 |
| Advertising and Promotion | 85 | - | 85 | 375 | 500 | 960 |
| TOTAL EXPENSES | \$ 602,322 | \$ 258,048 | \$ 860,370 | \$ 142,624 | \$ 11,271 | \$ 1,014,265 |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Functional Expenses

For the Period From Inception (February 6, 2018) through December 31, 2018

| | Program Expenses | | | Supporting Expenses | | |
|--------------------------------|-------------------|------------------|-------------------|--------------------------|-----------------|-------------------|
| | Animal Care | Animal Rescue | Total Programs | General & Administrative | Fundraising | Total |
| EXPENSES | | | | | | |
| Compensation Expenses: | | | | | | |
| Salaries and Wages | \$ 77,480 | \$ 38,106 | \$ 115,586 | \$ 22,402 | \$ 1,867 | \$ 139,855 |
| Payroll Tax Expenses | 7,248 | 3,565 | 10,813 | 2,096 | 175 | 13,084 |
| Employee Benefits | 5,480 | 2,695 | 8,175 | 1,584 | 132 | 9,891 |
| Total Compensation Expenses | 90,208 | 44,366 | 134,574 | 26,082 | 2,174 | 162,830 |
| Rent expenses | 54,000 | - | 54,000 | 6,000 | - | 60,000 |
| Veterinary and outside medical | 36,308 | - | 36,308 | - | - | 36,308 |
| Insurance | 2,899 | 1,795 | 4,694 | 9,111 | - | 13,805 |
| Program supplies | 10,776 | - | 10,776 | - | - | 10,776 |
| Utilities | 8,635 | - | 8,635 | 959 | - | 9,594 |
| Professional fees | - | - | - | 6,461 | - | 6,461 |
| Office supplies | 1,533 | 1,532 | 3,065 | 1,533 | 1,533 | 6,131 |
| Printing and Copying | 1,524 | 1,523 | 3,047 | 1,524 | 1,524 | 6,095 |
| Telephone and Internet | 3,821 | 1,535 | 5,356 | 409 | 34 | 5,799 |
| Transportation Expenses | 507 | 4,566 | 5,073 | - | - | 5,073 |
| Advertising and Promotion | 2,293 | - | 2,293 | - | 2,293 | 4,586 |
| Postage and Shipping | - | 2,781 | 2,781 | 348 | 348 | 3,477 |
| Uniforms | 344 | 2,774 | 3,118 | - | - | 3,118 |
| Repairs and Maintenance | 3,058 | - | 3,058 | - | - | 3,058 |
| Bank and merchant charges | - | - | - | 2,276 | - | 2,276 |
| Small Equipment | 373 | 1,492 | 1,865 | - | - | 1,865 |
| Meetings and Events | 1,235 | - | 1,235 | 176 | 353 | 1,764 |
| Other general expenses | - | - | - | 1,347 | - | 1,347 |
| TOTAL EXPENSES | \$ 217,514 | \$ 62,364 | \$ 279,878 | \$ 56,226 | \$ 8,259 | \$ 344,363 |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019,
and For the Period From Inception (February 6, 2018) to December 31, 2018

| | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|--|------------------------|------------------------|------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Change in net assets | \$127,100 | \$(34,942) | \$(15,719) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | | |
| Depreciation of property and equipment | 8,992 | 1,040 | - |
| Donated equipment | (27,500) | - | - |
| (Increase) Decrease in current assets: | | | |
| Accounts receivable | (28,585) | (12,083) | (36,017) |
| Prepaid expenses and deposits | (2,226) | (167) | (6,819) |
| Increase (Decrease) in current liabilities: | | | |
| Accounts payable | 13,888 | 15,986 | 30,079 |
| Accrued salaries and wages | 2,850 | 12,362 | 13,484 |
| Accrued Paid time off | 1,419 | 8,599 | - |
| Other current liabilities | (1,178) | 1,810 | 874 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | <u>94,760</u> | <u>(7,395)</u> | <u>(14,118)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of animal care equipment | (5,999) | (5,200) | - |
| Purchases of transportation equipment | (9,800) | - | - |
| NET CASH USED IN INVESTING ACTIVITIES | <u>(15,799)</u> | <u>(5,200)</u> | <u>-</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from Related Party | 4,946 | 16,511 | 24,695 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>4,946</u> | <u>16,511</u> | <u>24,695</u> |
| CHANGE IN CASH AND CASH EQUIVALENTS | 83,907 | 3,916 | 10,577 |
| CASH AND CASH EQUIVALENTS, Beginning of Year | <u>14,493</u> | <u>10,577</u> | <u>-</u> |
| CASH AND CASH EQUIVALENTS, End of Year | <u><u>\$98,400</u></u> | <u><u>\$14,493</u></u> | <u><u>\$10,577</u></u> |

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020, 2019, and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The North Bay Animal Services (the Organization) is a non-profit public benefit corporation which was incorporated in the State of California on February 6, 2018. The Organization’s administrative offices and animal care facility are located in Petaluma, California.

The Organization’s mission is to provide comprehensive animal services to the community that results in fewer homeless animals, greater pet retention and happier families.

The Organization began operations on August 1, 2018 with an animal care facility in Petaluma, California where dogs, cats and other animals receive care while waiting for adoption. The Organization maintains a website with information about its adoptable animals, programs and dog licensing services. The public may also meet adoptable animals in person at the Petaluma animal care facility. The Organization operates spay and neuter clinics, K-9 education at local elementary schools, and a dog licensing program. In addition, the Organization provides animal control and rescue services in California to the City of Petaluma (effective August 1, 2018), the City of Healdsburg (effective July 1, 2019), the City of Calistoga (effective August 1, 2019), and the Town of Windsor (effective July 1, 2020).

Adoption of New Accounting Policies:

FASB ASU No. 2016-14

In August 2016, the Financial Accounting Standards Board (FASB) issued FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which includes the following provisions relative to the organization:

- The face of the statement of financial position will present amounts of two classes of net assets (*net assets without donor restrictions* and *net assets with donor restrictions*) rather than the currently required three classes (*unrestricted*, *temporarily restricted* and *permanently restricted*).
- The face of the statement of activities will present amounts of change in each of the two classes of net assets rather than that of the currently three classes.
- Disclosures will be enhanced to provide:
 1. Amounts and purposes of board designations, appropriations, and similar actions that result in self-imposed limits on the use of resources without donor-imposed restrictions as of the end of the period.
 2. Composition of net assets with donor restrictions at the end of the period and how the restrictions affect the use of resources.
 3. Qualitative information that communicates how the Organization manages its liquid resources available to meet cash needs, and the availability of the Organization’s financial assets at the balance sheet date to meet cash needs, for general expenditures within one year of the balance sheet date.
 4. Method(s) used to allocate costs among program and support functions.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020, 2019, and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

FASB ASU No. 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The Organization adopted FASB ASU 2016-14 effective February 6, 2018.

FASB ASU No. 2018-08

In June 2018, the Financial Accounting Standards Board (FASB) issued FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which includes the following provisions relative to the organization:

- The guidance distinguishes between contributions and exchange transactions. Organization should follow the guidance in Subtopic 958-605 for contributions and Topic 606, *Revenue from Contracts with Customers*, for exchange transactions. Transactions in which the resource provider receives commensurate value in return for the resources transferred is generally an exchange transaction. A benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. Positive sentiment from acting as a donor also does not constitute commensurate value.
- For transactions which are determined to be contributions, the organization must first determine when a contribution is conditional. Contributions which contain both a barrier and a right of return are generally considered conditional.
- Conditional contributions received are accounted for as a liability or are unrecognized initially, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions.

FASB ASU No. 2018-08 is effective for annual financial statements issued for fiscal years beginning after December 15, 2018. Early adoption is permitted. The Organization adopted FASB ASU 2018-08 effective February 6, 2018.

Basis of Accounting – The financial statements of the Organization have been prepared under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses during the period. Accordingly, actual results may differ from these estimates.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020, 2019, and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Net Assets – The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these net assets are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the organization must continue to use the resources in accordance with the donor's instructions.

The organization's unspent contributions are included in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building improvements or equipment are reported as net assets with donor restrictions until the specified asset is placed in service by the organization, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

Contributions of cash and other assets with donor stipulations that limit the use of the donated asset are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Other purpose and time restricted support is reported as an increase in net assets with donor restrictions. All expenses and net losses are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents – Cash primarily consists of deposits held on demand at a bank. Cash equivalents include a bank savings account and highly liquid deposits held at financial processing companies.

Accounts Receivable – Accounts receivable are primarily unsecured non-interest bearing amounts due from city contracts. Management believes that all outstanding amounts receivable are fully collectible, and therefore, no allowance for uncollectible receivables has been provided.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2020, 2019, and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Equipment – Equipment is stated at cost or at estimated fair market value at date of donation. The Organization capitalizes equipment at a cost or fair market value greater or equal to \$1,000. Depreciation is calculated using the straight-line method over the following estimated useful lives:

| | <u>Years</u> |
|--------------------------|--------------|
| Animal Care Equipment | 5 - 10 |
| Transportation Equipment | 5 - 7 |

Revenue Recognition for Exchange Transactions – Contract and grants for the performance of services or the delivery of products are considered exchange transactions. Revenues from exchange transactions are recognized when products are delivered, services are performed or qualifying costs are incurred for cost-reimbursement contracts. Amounts received in advance are recorded as deferred revenue.

Revenue Recognition for Contributions – Contributions, including unconditional promises to give, are recognized when received. Unconditional contributions of cash and other assets with donor stipulations that limit the use of the donated asset are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. Amounts received that are restricted by the donor to use in future periods and other purpose restricted support is reported as an increase in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until the payment is received, unless the contribution is clearly intended to support activities of the current year.

Contributions which contain barriers and rights of return are considered conditional. Revenue related to conditional contributions is recognized when the condition is removed. Amounts received for conditional contributions are recorded as deferred revenue until the condition is removed. Conditional promises, such as matching grants, are not recognized until they become unconditional.

In-Kind Contributions and Expenses – Donated assets and the use of facilities are recorded at fair market value on the date of donation.

Functional Allocation of Expenses – The costs of programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Expenses are primarily charged directly to program or supporting service categories based on specific identification. Telephone, internet, rent and certain facility expenses are allocated based on the FTE of employees. Transportation expenses, depreciation, office supplies, postage and shipping, and printing and copying are allocated based on management’s estimate of usage.

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Notes to Financial Statements
December 31, 2020, 2019, and 2018

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

General and administrative expense include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. Additionally, advertising costs are expensed as incurred.

Income Taxes – The North Bay Animal Services is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code, though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the Internal Revenue Code). The Internal Revenue Service has determined that North Bay Animal Services is an organization described in Sections 509(a) of the Internal Revenue Code, and contributions to the organization are tax deductible to donors under Section 170. The organization is classified as a private operating foundation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets as of December 31, 2020 and 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

| | December 31, | | |
|--|------------------|-----------------|-----------------|
| | 2020 | 2019 | 2018 |
| Financial Assets at December 31: | | | |
| Cash and cash equivalents | \$98,400 | \$14,493 | \$10,577 |
| Accounts receivable | 76,685 | 48,100 | 36,017 |
| Less those available for general expenditures within one year, due to donor restrictions | (1,640) | (3,000) | - |
| Financial assets available to meet cash needs from general expenditures within one year | <u>\$173,445</u> | <u>\$59,593</u> | <u>\$46,594</u> |

Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

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Notes to Financial Statements
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NOTE 3 – EQUIPMENT

Equipment consists of the following at December 31, 2020, 2019 and 2018:

| | December 31, | | |
|--------------------------------|--------------|---------|------|
| | 2020 | 2019 | 2018 |
| Animal Shelter Equipment | \$11,199 | \$5,200 | \$ - |
| Transportation Equipment | 37,300 | - | - |
| Total Equipment | 48,499 | 5,200 | - |
| Less: Accumulated Depreciation | (10,032) | (1,040) | - |
| Equipment, net | \$38,467 | \$4,160 | \$ - |

Depreciation expense from property and equipment totaled \$8,992 and \$1,040 in the years ended December 31, 2020 and 2019, respectively.

NOTE 4 – OPERATING LEASES

The Organization was a lessee in the following leases during the years ended December 31, 2020 and 2019, and for the period from inception (February 6, 2018 through December 31, 2018).

Petaluma, California

Effective August 1, 2018, the organization entered into a lease for its animal care and administration facilities in Petaluma, California with the City of Petaluma for base rent of \$1 per year. The Organization is responsible for maintaining the property and paying utilities and insurance on the property. The lease agreement is concurrent with the Professional Services Agreement with the City of Petaluma. On July 20, 2020, the Professional Services Agreement and facility lease agreement were both amended to extend the agreements through July 31, 2026 with an additional 3-year option to extend through July 31, 2029. Management has estimated the fair value of the leased facilities usage to total \$12,000 per month and has included the estimated fair value amount in in-kind contribution revenues and rent expenses in the Statements of Activities. In-kind rent expenses for this lease totaled \$144,000 in the years ended December 31, 2020 and 2019, and \$60,000 in the period from inception to December 31, 2018.

Windsor, California

Effective September 1, 2020, the Organization entered into a lease for a satellite office. Base rent totals 1,800 per month. The lease expires on August 31, 2022, and includes a two year option to renew. Rent expenses related to this lease totaled \$7,200 during the year ended December 31, 2020.

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Notes to Financial Statements
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NOTE 4 –OPERATING LEASES (Continued)

Rental expenses, including donated facilities, totaled \$153,227, \$145,651 and \$60,000 in the years ended December 31, 2020 and 2019, and the period from inception to December 31, 2018, respectively.

As of December 31, 2020, future minimum lease payments are as follows:

| Year Ended December 31, | |
|-------------------------|----------|
| 2021 | \$21,601 |
| 2022 | 14,401 |
| 2023 | 1 |
| 2024 | 1 |
| 2025 | 1 |
| | 1 |
| Total | \$36,005 |

NOTE 5 – DUE TO RELATED PARTY

The Organization’s Executive Director loaned the Organization \$12,145 of cash and personally paid \$34,007 of the Organization’s expenses incurred to finance operations inception through December 31, 2020. The amounts due to the executive director totaled \$46,152, \$41,206 and \$24,695 at December 31, 2020, 2019 and 2018, respectively.

On August 16, 2020, the Board of Directors approved a repayment plan to pay back the executive director \$2,000 each month until the debt is repaid in full with no interest. Payments for August 2020 through December 2020 totaling \$10,000 were paid retroactively on January 20, 2021.

As of December 31, 2020, future scheduled maturities of long term debt are as follows:

| Year Ended December 31, | |
|-------------------------|----------|
| 2021 | \$34,000 |
| 2022 | 12,152 |
| | 12,152 |
| Total | \$46,152 |

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NOTE 6 – SBA PAYCHECK PROTECTION PROGRAM LOAN

On April 30, 2020, the Organization received loan proceeds of \$92,500 under the United States Small Business Administration's (SBA) Paycheck Protection Program (PPP) which was established under the CARES Act. The PPP funding is legally structured as a forgivable loan by the SBA. In order to achieve forgiveness of the loan, the Organization must spend the funding for specific purposes and also must generally maintain its full-time equivalent level of staffing over a defined time period.

The Organization elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, Revenue Recognition, and recognizing revenue when conditions are met. The Organization met the forgiveness requirements during the year ended December 31, 2020 and recorded the \$92,500 as contribution revenue. The Organization applied for forgiveness of the loan in July 2021. Management expects the loan to be forgiven in full.

NOTE 7 – RETIREMENT PLAN

Effective January 1, 2020, the Organization sponsored a 401(k) retirement plan (the Plan) for its employees. Substantially all employees are eligible to participate in the plan on the first of each month on or after the date of hire. The Plan allows for safe harbor employer match contributions of 100% of the first 1% of each participant's deferral and 50% of the next 5% of each participant's deferred compensation into the Plan. Employer safe harbor match contributions totaled \$12,422 in the year ended December 31, 2020.

The Plan also allows for discretionary employer profit sharing contributions. No employer profit sharing contributions were made to the plan during the fiscal year ended December 31, 2020.

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of net assets restricted for a certain cat's medical care totaling \$1,640 and \$3,000 as of December 31, 2020 and 2019.

NORTH BAY ANIMAL SERVICES
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NOTE 9 – IN-KIND CONTRIBUTIONS

In the years ended December 31, 2020 and 2019, and the period from inception to December 31, 2018, the Organization received in-kind donations of facility usage and equipment. The in-kind contributions of facility usage have been included in the statements of activities as in-kind contributions and rent expenses, and the in-kind contributions of equipment have been included in the statements of activities as in-kind contributions and in the statements of position as equipment. In-kind contributions consist of the following during the years ended December 31, 2020 and 2019, and for the period from inception through December 31, 2018:

| | December 31, | | |
|-----------------------------|--------------|------------|-----------|
| | 2020 | 2019 | 2018 |
| Facility Usage | \$ 144,000 | \$ 144,000 | \$ 60,000 |
| Transportation Equipment | 27,500 | - | - |
| Total In-Kind Contributions | \$ 171,500 | \$ 144,000 | \$ 60,000 |

NOTE 10 – RISK, UNCERTAINTIES AND CONCENTRATIONS

On January 21, 2020, the Center for Disease Control and Prevention confirmed the first case of 2019 Novel Coronavirus (COVID-19) in the United States. On March 13, 2020, the President of the United States declared a national emergency due to the outbreak of COVID-19 in the United States of America. As a result of the pandemic and local shelter-in-place restrictions, the Organization restricted access to the public at the animal care facility in Petaluma. Animals can be viewed and researched online at the Organization’s website, and the animals may be visited at the facility at an outdoor location by appointment. Dog licenses may be purchased via mail or the internet. The financial impact of the coronavirus outbreak and current changes in the global financial markets cannot be measured.

Contract and program fee revenues related to the Organization’s contract with the City of Petaluma totaled 50%, 75% and 89%, respectively, in the years ended December 31, 2020, 2019 and the period from inception through December 31, 2018. Government contract revenues are subject to audit from government agencies. However, management believes the results of an audit would not have an effect on the financial statements.

NOTE 11 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through August 5, 2021, the date which these financial statements were available to be issued.

The Board of Directors signed a loan agreement for the repayment of the debt due to the Executive Director on August 4, 2021. Debt repayments totaling \$22,000 were repaid to the Executive Director from January 1, 2021 through August 5, 2021.