

CAPE CORAL ANIMAL SHELTER CORPORATION

**FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT AUDITOR**

**Year Ended
December 31, 2020**

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Tax Division

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Cape Coral Animal Shelter Corporation
325 SW 2nd Avenue
Cape Coral, Florida 33991

Report on the Financial Statements

We have audited the accompanying financial statements of the Cape Coral Animal Shelter Corporation (a Florida not-for-profit corporation) (the "Cape Coral Animal Shelter"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Cape Coral Animal Shelter'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 Cape Coral Animal Shelter's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting

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Board of Directors
Cape Coral Animal Shelter Corporation
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estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape Coral Animal Shelter Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The audit of the financial statements as of and for the year ended December 31, 2020 is the Cape Coral Animal Shelter's initial year audit.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A." The signature is written in black ink and is positioned above the printed name of the firm.

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
June 10, 2021

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS	<u>Amount</u>
CURRENT ASSETS	
Cash and cash equivalents (including restricted cash of \$98,609)	\$ 991,296
Investments	145,185
Pledge receivables	24,000
Grant and other receivables	5,000
Clinic inventory	20,207
Processing inventory	<u>3,450</u>
TOTAL CURRENT ASSETS	1,189,138
BENEFICIAL INTEREST IN ASSETS	24,699
PROPERTY AND EQUIPMENT, NET	<u>1,853,774</u>
TOTAL ASSETS	<u>\$ 3,067,611</u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 19,221
Accrued liabilities	<u>2,851</u>
TOTAL CURRENT LIABILITIES	22,072
LONG-TERM DEBT	
PPP loan	35,043
Note payable	120,000
COMMITMENTS AND CONTINGENCIES	
	<u>-</u>
TOTAL LIABILITIES	<u>177,115</u>
NET ASSETS	
Without donor restrictions	2,767,188
With donor restrictions	
Temporarily restricted	98,609
Permanently restricted	<u>24,699</u>
TOTAL NET ASSETS	<u>2,890,496</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,067,611</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2020

	Without Donor <u>Restrictions</u>	<u>With Donor Restrictions</u>		<u>Total</u>
		<u>Temporary</u>	<u>Permanent</u>	
CHANGES IN NET ASSETS				
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Special events and fundraising	\$ 107,924	\$ -	\$ -	\$ 107,924
Less: direct costs	<u>(26,539)</u>	<u>-</u>	<u>-</u>	<u>(26,539)</u>
Net proceeds from special events and fundraising	81,385	-	-	81,385
Contributions and other grants	504,406	342,844	-	847,250
In-kind contributions	204,632	-	-	204,632
Shelter fees	107,296	-	-	107,296
Clinic fees	155,698	-	-	155,698
Interest and investment income	647	-	2,459	3,106
Other income	<u>9,273</u>	<u>-</u>	<u>-</u>	<u>9,273</u>
TOTAL PUBLIC SUPPORT AND REVENUES	1,063,337	342,844	2,459	1,408,640
Net assets released from restrictions: Satisfaction of program restrictions	<u>1,091,295</u>	<u>(1,091,295)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>2,154,632</u>	<u>(748,451)</u>	<u>2,459</u>	<u>1,408,640</u>
EXPENSES				
Program services	600,881	-	-	600,881
General and administrative	73,327	-	-	73,327
Fundraising	<u>37,832</u>	<u>-</u>	<u>-</u>	<u>37,832</u>
TOTAL EXPENSES	<u>712,040</u>	<u>-</u>	<u>-</u>	<u>712,040</u>
INCREASE (DECREASE) IN NET ASSETS	1,442,592	(748,451)	2,459	696,600
NET ASSETS, BEGINNING OF YEAR	<u>1,324,596</u>	<u>847,060</u>	<u>22,240</u>	<u>2,193,896</u>
NET ASSETS, END OF YEAR	<u>\$ 2,767,188</u>	<u>\$ 98,609</u>	<u>\$ 24,699</u>	<u>\$ 2,890,496</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2020

	Supporting Services			Total Supporting Services	Total
	Program Services	General and Administrative	Fundraising		
Salaries	\$ 255,653	\$ 49,800	\$ 18,601	\$ 68,401	\$ 324,054
Taxes and benefits	<u>25,233</u>	<u>8,117</u>	<u>3,032</u>	<u>11,149</u>	<u>36,382</u>
Total salaries and related expenses	280,886	57,917	21,633	79,550	360,436
Automobile expense	1,192	132	-	132	1,324
Bank and merchant fees	1,569	-	6,275	6,275	7,844
Clinic expense	60,491	-	-	-	60,491
Contract labor	1,624	-	-	-	1,624
Depreciation	62,424	6,936	-	6,936	69,360
Grounds	12,074	-	-	-	12,074
Insurance	8,872	986	-	986	9,858
License and fees	6,840	1,282	427	1,709	8,549
Marketing and merchandise expense	-	-	9,497	9,497	9,497
Miscellaneous	8,299	-	-	-	8,299
Office	17,668	1,963	-	1,963	19,631
Repairs and maintenance	8,907	990	-	990	9,897
Shelter expense	101,951	-	-	-	101,951
Utilities	<u>28,084</u>	<u>3,121</u>	<u>-</u>	<u>3,121</u>	<u>31,205</u>
Total expenses	<u>\$ 600,881</u>	<u>\$ 73,327</u>	<u>\$ 37,832</u>	<u>\$ 111,159</u>	<u>\$ 712,040</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2020

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors and other operating activities	\$ 1,252,483
Cash paid to suppliers and employees	(577,226)
Interest received	<u>3,106</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>678,363</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net increase in investments	(85,094)
Purchases of property and equipment	<u>(502,204)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(587,298)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds from issuance of debt - PPP loan	35,043
Principal payments on long term debt	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>35,043</u>
Net increase in cash and cash equivalents	126,108
CASH AND CASH EQUIVALENTS - BEGINNING	<u>865,188</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 991,296</u>

The accompanying notes are an integral part of this statement.

**RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**

	<u>Amount</u>
Increase (decrease) in Net Assets	\$ 696,600
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities	
Depreciation	69,360
Sale (gain) of donated asset	11,223
(Increase) decrease in pledge receivables	32,500
(Increase) decrease in grant and other receivables	(5,000)
(Increase) decrease in inventory	(23,657)
(Increase) decrease in beneficial interest in assets	(2,459)
Increase (decrease) in accounts payable	(97,507)
Increase (decrease) in accrued liabilities	<u>(2,697)</u>
TOTAL ADJUSTMENTS	<u>(18,237)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 678,363</u></u>

Non-cash contributions:

Cape Coral Animal Shelter received various in-kind contributions in the amount of \$204,632 for the construction of the shelter. The total of all in-kind donations has been recorded as both a revenue and increase to property and equipment.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and description of activities

Cape Coral Animal Shelter Corporation ("Cape Coral Animal Shelter") was established on August 15, 2016 under the laws of Florida as a not-for-profit Organization based in Cape Coral, Florida. Cape Coral Animal Shelter opened for shelter operations in March 2020. The clinic operations began in August 2020. The mission of Cape Coral Animal Shelter is to engage a special bond between people and animals by means of adoption services, medical care, education and training for the prevention of cruelty and abandonment. Cape Coral Animal Shelter provides a safe place, where animals will remain in care until they are placed in a qualified, forever home.

Cape Coral Animal Shelter's vision is to: (1) bring new hope to SW Florida's homeless animals by understanding their needs and taking action to meet them; (2) bring new hope to healthy animals by placing them in safe, responsible and loving homes; (3) teach and demonstrate respect of life of each individual animal; (4) provide the best medical, services and shelter care for each animal; and (5) focus on the welfare of Cape Coral Animal Shelter's staff, the community and the animal population as a whole.

Cape Coral Animal Shelter commits to treat all persons with dignity and respect in a non-judgmental manner. The general public, staff members and volunteers are all viewed as partners in improving animal welfare and in fulfilling Cape Coral Animal Shelter's Mission.

Basis of accounting

The accounting and reporting policies of the Cape Coral Animal Shelter conform to accounting principles generally accepted in the United States of America and are in accordance with the audit guide issued by the American Institute of Certified Public Accountants, "Not-for-Profit Organizations" and ASU 2016-14 and the accounting standards issued by the Financial Accounting Standards Board (FASB) in the Accounting Standards Codification (ASC).

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of accounting, continued

Cape Coral Animal Shelter prepares its financial statements on the accrual basis of accounting. Grant revenues are recorded as support when performance occurs under the terms of the specific grant agreement. Grant revenue includes all resources received from another entity in accordance with an entitlement or grant document.

Financial statement presentation

The financial statement presentation follows the recommendations of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205-55-21. Under FASB ASC 958-205-55-21, Cape Coral Animal Shelter is required to report 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.

Cape Coral Animal Shelter reports its contributions in accordance with FASB ASC 958-605-50-2. In accordance with FASB ASC 958-605-50-2, contributions received are recorded as with donor restrictions or without donor restrictions depending on the existence and/or nature of any donor restrictions. Under FASB ASC 958-605-50-1, such contributions are required to be reported as contributions with donor restrictions and are then reclassified to net assets without donor restrictions upon expiration of the time restriction or compliance with the purpose restriction.

Cash and cash equivalents

For the purpose of the Statement of Cash Flows, the Cape Coral Animal Shelter considers all undesignated, highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledge receivables

Pledge receivables are unconditional promises to give, without donor restrictions, that are recognized as contributions when the promise is received. Pledge receivables that are expected to be collected in less than one year are reported at net realizable value. Pledge receivables that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Pledge receivables, continued

present value technique applied to anticipated cash flows, if considered material. Amortization of the resulting discount is recognized as additional contribution revenue.

Inventory

Cape Coral Animal Shelter maintains inventories of consumable supplies for the clinic and shelter operations, prescriptions, and donated items held for resale. Consumable supplies and prescriptions are stated at the lower of cost or market value. Inventories of donated items are valued at estimated fair market value at the date of donation.

Property and equipment

Cape Coral Animal Shelter's policy is to capitalize assets with a cost of \$1,000 or more and a useful life greater than one (1) year. Property and equipment is recorded at cost, except for donated items (used in operations) which are recorded at fair market value as of the date received. Assets are depreciated using the straight-line method over their respective estimated lives, as follows:

<u>Fixed Asset Category</u>	<u>Useful Lives</u>
Building and improvements	15-39 years
Grounds	5-15 years
Furniture	5-7 years
Equipment	5 years
Vehicles	5 years

Note payable

The Cape Coral Animal Shelter entered a note payable on August 22, 2018 with a related party. The note's respective terms provide for a zero stated interest rate and repayment terms that are to be established by the related party seven (7) years from the date of the note. The note also provides that the note may be forgiven at the discretion of the related party. Based on the terms of the note and the current low market interest rates no interest is imputed as any imputed amount is considered immaterial.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Advertising costs

Cape Coral Animal Shelter's policy is to expense advertising costs as such costs are incurred.

Compensated absences

Cape Coral Animal Shelter does not accrue employee compensated absences. Employees who do not take the full amount of time-off earned in a calendar year forfeit the unused amount.

Fair value of financial instruments

Cape Coral Animal Shelter adheres to FASB ASC 820-10-50-1 through 820-10-50-8 (formerly SFAS No. 157), "Fair Value Measurements". This Standard applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. This Standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. This Standard establishes a fair value hierarchy which consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Cape Coral Animal Shelter has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Impairment of fixed assets

Cape Coral Animal Shelter adheres to FASB ASC 360-10-50-2 (formerly SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets." FASB ASC 360-10-50-2 requires, among other things, that entities identify events or changes in circumstances which indicate that the carrying amount of an asset may not be recoverable.

There was no effect on Cape Coral Animal Shelter's financial statements resulting from FASB ASC 360-10-50-2 for the year ended December 31, 2020.

Contributions

In order to observe restrictions which donors place on grants and other gifts, as well as designations made by the Board of Directors, all assets, liabilities and activities are accounted for in the following net asset classifications:

Net Assets Without Donor Restrictions - not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Net Assets With Donor Restrictions - subject to donor-imposed stipulations that they be retained and invested permanently or temporary stipulations that may be fulfilled by actions of the Cape Coral Animal Shelter to meet the stipulations or become unrestricted at the date specified by the donor.

Donated services

Volunteers are a vital part of the success of the programs at Cape Coral Animal Shelter.

A number of volunteers, including the Board of Directors, have donated significant amounts of their time and expertise to Cape Coral Animal Shelter's programs and supporting services. No amount has been reflected in the financial statements for these donated services, inasmuch as no objective basis is available to measure the value of such services.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

In-Kind Contributions

In-kind contributions are recorded in the accompanying financial statements at their value on the date of the receipt. Contributions of services are recognized only if services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not provided by donation.

Cape Coral Animal Shelter received various in-kind contributions in the amount of \$204,632 for the construction of the shelter. The total of all in-kind donations has been recorded as both a revenue and increase to property and equipment.

Revenue recognition

All grantor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a 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 Statement of Activities as net assets released from restrictions. Contributions with donor restrictions, whose restrictions are met in the same reporting period, are reported as unrestricted support.

Functional Expenses/Cost Allocation

The cost of providing the various programs and other activities has been detailed in the Statement of Functional Expenses and summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, related benefits and workers compensation insurance which are allocated on the basis of estimates of time and effort. The remaining expenses were specifically identified according to their purpose and charged directly to program or supporting services according to their natural expenditure classification.

**NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES, CONTINUED**

Income taxes

No provision for income tax expense has been made in the accompanying financial statements since the Cape Coral Animal Shelter Corporation is exempt from income taxes under Internal Revenue Code Section 501(c)(3). In addition, Cape Coral Animal Shelter is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. Management believes Cape Coral Animal Shelter met the requirements to maintain its tax-exempt status and has no income subject to unrelated business income tax. Cape Coral Animal Shelter's income tax returns for the past three years are open and subject to examination by tax authorities, and may change upon examination. Cape Coral Animal Shelter reports no unrelated business taxable income; however, such status is subject to final determination upon examination of the related tax returns by the appropriate taxing authorities.

Accounting for Uncertainty in Income Tax Items

The Financial Accounting Standards Board has issued guidance on accounting for uncertainty in income taxes and the Cape Coral Animal Shelter has adopted this guidance. Cape Coral Animal Shelter has evaluated its tax provision and any estimates utilized in its tax returns, and concluded that it has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. Interest and penalties associated with uncertain tax positions will be recognized in income tax expenses, if required.

Management 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CAPE CORAL ANIMAL SHELTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Subsequent events

Subsequent events have been evaluated through June 10, 2021, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at December 31, 2020:

	<u>Amount</u>
Depository accounts	\$ 604,167
Money market account	386,999
Petty cash	130
	<u><u>\$ 991,296</u></u>

At December 31, 2020, restricted cash balance was \$98,609 and is reflected in temporarily restricted net assets with donor restrictions.

Concentration of credit risk

Cape Coral Animal Shelter maintains its cash and cash equivalent balances at a financial institution which at times may exceed federally insured limits. The cash and cash equivalents are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The uninsured bank balance as of December 31, 2020 was \$748,489. Cape Coral Animal Shelter has not experienced any economic losses on such account. Cape Coral Animal Shelter believes it is not exposed to any significant credit risk regarding its cash balances.

CAPE CORAL ANIMAL SHELTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE C - INVESTMENTS

Investments consist of the following at December 31, 2020:

	<u>Cost</u>	<u>Fair Value</u>
Equities	\$ 3,624	\$ 12,871
Money market accounts	<u>132,314</u>	<u>132,314</u>
	<u>\$ 135,938</u>	<u>\$ 145,185</u>

Investments are recorded at fair value, as reflected on the Statement of Financial Position as of December 31, 2020 and are unrestricted in the amount of \$145,185. Investments held by a financial institution in a money market fund are subject to FDIC coverage. The fund at year end recorded a rate of return of .06%. The equities are not subject to FDIC.

NOTE D - PLEDGE RECEIVABLES

Pledge receivables at December 31, 2020, are due as follows:

	<u>Amount</u>
Less than one year	\$ 20,000
One to five years	4,000
More than five years	<u>-</u>
	24,000
Less: unamortized discount	<u>-</u>
Net pledge receivables	<u>\$ 24,000</u>

NOTE E - ENDOWMENT FUNDS

On March 12, 2018, Cape Coral Animal Shelter entered into an agreement with a local foundation (an unrelated organization) to create an endowment fund for the benefit of the Cape Coral Animal Shelter. The agreement was initially funded by \$5,000 from Cape Coral Animal Shelter and a matching grant for \$5,000 from the Cape Coral Community Foundation ("CCCF").

The endowment fund is recorded in the financial statements of Cape Coral Animal Shelter as a beneficial interest. The assets of the agreement are the property of the Cape Coral Community Foundation, in accordance with the terms of the agreement and are not available for distribution to Cape Coral Animal Shelter. The assets of

CAPE CORAL ANIMAL SHELTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2020

NOTE E - ENDOWMENT FUNDS, CONTINUED

this fund are held for the benefit of Cape Coral Animal Shelter and the income from the fund is available to be distributed to Cape Coral Animal Shelter annually subject to the approval of the Foundation. Annual income from the agreement has, historically, been reinvested by the Foundation at the direction of Cape Coral Animal Shelter. Once the annual income has been reinvested, it historically has then not been available for future distribution to Cape Coral Animal Shelter. The agreement also incurs investment management costs. The endowment fund agreement permits additional endowment gifts to be contributed.

Activity related to the beneficial interest consists of the following for the year ended December 31, 2020:

	<u>Amount</u>
Beginning Balance	\$ 22,240
Contributions	-
Distributions to the Organization	-
Investment Performance	2,897
Foundation Fees	(300)
Investment Manager's Fees	(138)
Ending Balance	<u>\$ 24,699</u>

NOTE F - FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, Cape Coral Animal Shelter uses fair value measurements to record adjustments to certain assets. FASB ASC 820 defines fair value as "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." The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - Inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

NOTE F - FAIR VALUE MEASUREMENTS, CONTINUED

Level 2 - Inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at measurement date. These inputs reflect the reporting entity's own assumptions about assumptions that would be used by market participants.

Cape Coral Animal Shelter uses fair value measurements to record adjustments to its investments and to determine fair value disclosures.

The following table presents the fair value hierarchy for the Organization's assets measured at fair value as of December 31, 2020:

	Fair Value Measurements Using:			
	<u>Fair Value</u>	<u>Level (1)</u>	<u>Level (2)</u>	<u>Level (3)</u>
Beneficial interest in asset				
held at community foundation	\$ 24,699	\$ -	\$ -	\$ 24,699
Investments:				
Money market accounts	132,314	132,314	-	-
Equities	12,871	12,871	-	-
	<u>\$ 169,884</u>	<u>\$ 145,185</u>	<u>\$ -</u>	<u>\$ 24,699</u>

Level 1: Cape Coral Animal Shelter held money market accounts and equity mutual funds at December 31, 2020.

Level 2: Cape Coral Animal Shelter had no such inputs at December 31, 2020.

NOTE F - FAIR VALUE MEASUREMENTS, CONTINUED

Level 3: Classifications consist of the following:

Beneficial interest in assets - has been valued, as a practical expedient, at the fair value of Cape Coral Animal Shelter's share of the Cape Coral Community Foundation's investment pool as of the measurement date and includes, in some instances, a match provided by the Cape Coral Community Foundation. The Cape Coral Community Foundation values securities and other financial instruments on a fair value basis of accounting. The estimated fair values of certain investments of the Cape Coral Community Foundation, which includes private placements and other securities for which prices are not readily available, are determined by the management of the Cape Coral Community Foundation and may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. The beneficial interest in assets held at the Cape Coral Community Foundation is not redeemable by the Cape Coral Animal Shelter as described in Note E.

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Cape Coral Animal Shelter's financial assets as of December 31, 2020, reduced by amounts not available for general use because of contractual donor-imposed restrictions within one year.

	<u>Amount</u>
Total current assets	\$ 1,189,138
Less: current liabilities	<u>(22,072)</u>
Financial assets at year-end	1,167,066
Less: those unavailable for general expenditures within one year due to:	
Donor restricted for capital campaign - restricted cash	(98,609)
Contributions receivable due in more than one year	(4,000)
Clinic inventory	(20,207)
Processing inventory	<u>(3,450)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,040,800</u>

The Board had not self imposed any limits on net assets without donor restrictions at December 31, 2020.

CAPE CORAL ANIMAL SHELTER CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
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NOTE H - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2020:

	<u>Amount</u>
Building	\$1,624,452
Building improvements	1,123
Grounds	44,933
Furniture	37,197
Equipment	176,607
Vehicles	<u>39,212</u>
	1,923,524
Less: accumulated depreciation	<u>(69,750)</u>
Property and Equipment, net	<u>\$ 1,853,774</u>

Depreciation expense for the year ended December 31, 2020, was \$69,360.

NOTE I - LONG-TERM DEBT

Long-term debt consists of the following obligations at December 31, 2020:

	<u>Amount</u>
\$35,043 loan payable to financial institution dated April 29, 2020 for the Small Business Administration's (SBA) Payroll Protection Program (PPP). The note is financed at 1% interest. Payments are deferred until November 2021, including principal and interest. Final payment is due April 2022. Cape Coral Animal Shelter applied for full forgiveness of the loan on June 4, 2021 in accordance with the requirements of the Payroll Protection Plan (PPP) and provisions of Section 1106 of the Coronavirus Aid, Relief and Economic Security Act (CARES Act).	\$ 35,043
\$120,000 note payable to a related-party dated August 22, 2018. The note has a 0 stated interest rate. Repayment will be determined within 7 years from the date of the loan at the discretion of the related-party, with the possibility of forgiveness of the unpaid note balance.	<u>120,000</u>
	155,043
Current Portion	<u>-</u>
Long-Term Portion	<u>\$ 155,043</u>

CAPE CORAL ANIMAL SHELTER CORPORATION
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NOTE I - LONG-TERM DEBT, CONTINUED

Principal maturities of long-term debt are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2021	\$ -
2022	35,043
2023	-
2024	-
2025	<u>120,000</u>
	<u>\$ 155,043</u>

Interest expense related to long-term debt was \$0 for the year ended December 31, 2020.

NOTE J - GROUND LEASE

Cape Coral Animal Shelter entered into a Ground Lease and Purchase Agreement with the City of Cape Coral on February 6, 2017 to lease the premises for the construction of buildings for Animal Control services (Cape Coral Animal Shelter). The term of the agreement is for ninety-nine (99) years, commencing on February 7, 2017, and ending February 6, 2116. Cape Coral Animal Shelter shall pay rent of one dollar (\$1.00) per year for the entire term of the lease. They may purchase the premises at any time during the term of the lease for the appraised value.

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (temporarily restricted) at December 31, 2020, are available for the following purposes or periods:

Purpose restricted, available for spending:	<u>Amount</u>
Capital campaign - restricted cash	<u>\$ 98,609</u>
Total purpose-restricted net assets	98,609
Permanently restricted:	
CCCF Endowment (Note E)	<u>24,699</u>
Total net assets with donor restrictions	<u>\$ 123,308</u>

Temporarily restricted net assets are offset by restricted cash.

Permanently restricted net assets are offset by beneficial interest in assets.

NOTE L - ECONOMIC DEPENDENCE CONCENTRATIONS OF RISK

The operations of Cape Coral Animal Shelter Corporation is dependent on the receipt of support and revenue from grantor agencies, donors and fundraising events. Loss of these funds and/or large decreases in these types of funding would have a material effect on Cape Coral Animal Shelter and a negative impact on overall operations. For the year ended December 31, 2020, Cape Coral Animal Shelter received approximately 75% of its support from donations.

NOTE M - COMMITMENTS AND CONTINGENCIES

The Organization is currently receiving and previously has received grants, contracts, and other third party funds which are subject to special compliance audits by the grantor and other third party agencies that provide these reimbursements. These audits may result in disallowed expense amounts.

Disallowed amounts, if any, constitute a contingent liability of the Organization. Accordingly, such liabilities are not reflected within the financial statements of the Organization, as management does not believe any contingent liabilities that may exist to be material.

NOTE N - RELATED PARTY

On August 22, 2018, Cape Coral Animal Shelter received a loan from a Board member for the purpose of constructing the shelter building. See Notes I and A.

NOTE O - COVID 19

In early March 2020, the World Health Organization classified the coronavirus outbreak "COVID-19" as a global pandemic, and it, unfortunately, continues to spread. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, have been severely impacted, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. On April 1, 2020, Florida Governor, Ron DeSantis ordered all Floridians to stay home, to lock down the State against the Coronavirus. Most fundraising events were halted throughout the community.

NOTE O - COVID 19, CONTINUED

The Cape Coral Animal Shelter has adapted its fundraising and development efforts as well as its operations to accommodate the current environment. However, the full impact of the COVID-19 outbreak continues to evolve as of the date of this report. This pandemic has adversely affected global economic activity and greatly contributed to instability in financial markets. Management is actively monitoring the local situation on its financial condition, liquidity, operations, donors, industry, and workforce. Given the daily evolution of COVID-19 and the global and local responses to curb its spread, the Organization is not able to estimate the future effects of COVID-19 on its results of operation, financial condition, or liquidity for fiscal year 2020-21.

NOTE P - SUBSEQUENT EVENTS

In June 2021, the Organization received full forgiveness for the PPP loan in the amount of \$35,043.