

CAPE CORAL ANIMAL SHELTER CORPORATION

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

**Year Ended
December 31, 2022**

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Private Companies Practice Section
Tax Division

INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the Cape Coral Animal Shelter as of December 31, 2022, 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.

Basis for Opinion

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

Management's Responsibilities 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but 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 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 the Cape Coral Animal Shelter'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 Cape Coral Animal Shelter'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.

A handwritten signature in cursive script that reads "Tuscán & Company, P.A.".

TUSCAN & COMPANY, P.A.
Fort Myers, Florida
July 11, 2023

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2022

ASSETS	<u>Amount</u>
CURRENT ASSETS	
Cash and cash equivalents (including restricted cash of \$131,425)	\$ 1,449,488
Investments	2,106,067
Pledge receivables, current	4,000
Grant and other receivables	1,100
Clinic inventory	52,932
Processing inventory	<u>6,134</u>
TOTAL CURRENT ASSETS	3,619,721
PLEDGE RECEIVABLE, NET OF CURRENT PORTION	-
BENEFICIAL INTEREST IN ASSETS	22,721
PROPERTY AND EQUIPMENT, NET	<u>1,772,527</u>
TOTAL ASSETS	<u>\$ 5,414,969</u>
 LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 12,664
Accrued liabilities	<u>10,875</u>
TOTAL CURRENT LIABILITIES	23,539
LONG-TERM DEBT	
Note payable	120,000
COMMITMENTS AND CONTINGENCIES	
TOTAL LIABILITIES	<u>-</u>
TOTAL LIABILITIES	<u>143,539</u>
NET ASSETS	
Without donor restrictions	5,117,284
With donor restrictions	
Temporarily restricted	131,425
Permanently restricted	<u>22,721</u>
TOTAL NET ASSETS	<u>5,271,430</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,414,969</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF ACTIVITIES
Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions		Total
		Temporary	Permanent	
CHANGES IN NET ASSETS				
PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS				
Special events and fundraising	\$ 106,811	\$ -	\$ -	\$ 106,811
Less: direct cost of benefits to donors	<u>(12,222)</u>	<u>-</u>	<u>-</u>	<u>(12,222)</u>
Net proceeds from special events and fundraising	94,589	-	-	94,589
Contributions and other grants	969,932	24,550	-	994,482
In-kind contributions	65,781	-	-	65,781
Adoption and shelter fees	159,738	-	-	159,738
Clinic fees	1,053,720	-	-	1,053,720
Interest and investment income (loss)	(3,797)	-	(4,534)	(8,331)
Other income	<u>16,652</u>	<u>-</u>	<u>-</u>	<u>16,652</u>
TOTAL PUBLIC SUPPORT AND REVENUES	2,356,615	24,550	(4,534)	2,376,631
Net assets released from restrictions: Satisfaction of program restrictions	<u>3,595</u>	<u>(3,595)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT, REVENUES AND RECLASSIFICATIONS	<u>2,360,210</u>	<u>20,955</u>	<u>(4,534)</u>	<u>2,376,631</u>
EXPENSES				
Program services	1,705,342	-	-	1,705,342
General and administrative	75,605	-	-	75,605
Fundraising	<u>64,308</u>	<u>-</u>	<u>-</u>	<u>64,308</u>
TOTAL EXPENSES	<u>1,845,255</u>	<u>-</u>	<u>-</u>	<u>1,845,255</u>
INCREASE (DECREASE) IN NET ASSETS	514,955	20,955	(4,534)	531,376
NET ASSETS, BEGINNING OF YEAR	<u>4,602,329</u>	<u>110,470</u>	<u>27,255</u>	<u>4,740,054</u>
NET ASSETS, END OF YEAR	<u>\$ 5,117,284</u>	<u>\$ 131,425</u>	<u>\$ 22,721</u>	<u>\$ 5,271,430</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2022

	<u>Supporting Services</u>			Total Supporting Services	Total
	Program Services	General and Administrative	Fundraising		
Salaries/Compensation	\$ 772,933	\$ 33,445	\$ 16,722	\$ 50,167	\$ 823,100
Taxes and benefits	<u>121,964</u>	<u>13,033</u>	<u>6,517</u>	<u>19,550</u>	<u>141,514</u>
Total salaries and related expenses	894,897	46,478	23,239	69,717	964,614
Automobile expense	1,482	165	-	165	1,647
Bank and merchant fees	18,875	-	17,514	17,514	36,389
Clinic expense	331,492	-	-	-	331,492
Contract labor	-	-	-	-	-
Depreciation	104,021	11,558	-	11,558	115,579
Grounds	15,346	-	-	-	15,346
Insurance	13,764	1,214	-	1,214	14,978
License and fees	41,977	5,646	553	6,199	48,176
Marketing and merchandise expense	-	-	10,759	10,759	10,759
Miscellaneous	15,844	-	-	-	15,844
Office	15,290	1,699	-	1,699	16,989
Repairs and maintenance	5,508	612	-	612	6,120
Shelter expense	172,753	-	-	-	172,753
Fundraising	-	-	12,243	12,243	12,243
Utilities	<u>74,093</u>	<u>8,233</u>	<u>-</u>	<u>8,233</u>	<u>82,326</u>
Total expenses	<u>\$ 1,705,342</u>	<u>\$ 75,605</u>	<u>\$ 64,308</u>	<u>\$ 139,913</u>	<u>\$ 1,845,255</u>

The accompanying notes are an integral part of this statement.

CAPE CORAL ANIMAL SHELTER CORPORATION
STATEMENT OF CASH FLOWS
Year Ended December 31, 2022

	<u>Amount</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from donors and other operating activities	\$ 2,344,383
Cash paid to suppliers, vendors and employees	(1,706,233)
Interest received and investment gain (loss)	<u>(3,727)</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>634,423</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Net increase in investments	(1,837,036)
Purchases of property and equipment	<u>(23,077)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(1,860,113)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Net collection of pledge receivables	-
Principal payments on long term debt	<u>-</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(1,225,690)
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,675,178</u>
CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 1,449,488</u></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	\$ 531,376
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided By (Used In) Operating Activities	
Depreciation	115,579
(Increase) decrease in grant and other receivables	13,050
(Increase) decrease in clinic inventory	(6,926)
(Increase) decrease in processing inventory	2,073
(Increase) decrease in beneficial interest in assets	4,534
Increase (decrease) in accounts payable	(31,096)
Increase (decrease) in accrued liabilities	<u>5,833</u>
TOTAL ADJUSTMENTS	<u>103,047</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ 634,423</u>

Non-cash contributions:

Cape Coral Animal Shelter received various in-kind contributions in the amount of \$65,781 for shelter furniture and marketing. The total of all in-kind donations has been recorded as both a revenue and increase to property and equipment and revenue and marketing expense.

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 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 net realizable 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 sole discretion of the related party. Based on the terms of the note including the potential for full note forgiveness, 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, 2022.

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 \$65,781 for shelter furniture and marketing. The total of all in-kind donations has been recorded as both a revenue and increase to property and equipment and marketing expense.

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.

Revenue from Exchange Transactions: The Cape Coral Animal Shelter recognizes revenue from these types of transactions in accordance with FASB Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers, as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

The Cape Coral Animal Shelter records the following exchange transaction revenue in its statement of activities for the year ended December 31, 2022:

Special Event Revenue - The Cape Coral Animal Shelter conducts special events in which a portion of the proceeds paid by a donor represents payment for the direct cost of the benefits received by the donor at the event - the

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

Revenue recognition, continued

exchange component, and a portion represents a contribution to the Cape Coral Animal Shelter. Unless a verifiable objective means exists to demonstrate otherwise, the fair value of the benefit is measured at cost to the Cape Coral Animal Shelter. The contribution component is the excess of the gross proceeds over the fair value of the benefit received by the donor. The direct costs of the special event are recorded as direct donor benefits in the statement of activities. The performance obligation is the delivery of the event. The event fee is set by the Cape Coral Animal Shelter. FASB ASU 2014-09 requires the Cape Coral Animal Shelter allocate the transaction price to the performance obligations. As such, the Cape Coral Animal Shelter presents the exchange and contribution components of the gross proceeds from special events. For special event fees received before year-end for an event that will occur after year-end, the Cape Coral Animal Shelter follows AICPA guidance where the inherent contribution is conditioned on the event taking place and is therefore treated as unearned revenue along with the exchange component.

Revenue from Non-Exchange Transactions: The Cape Coral Animal Shelter recognizes revenue from these types of transactions in accordance with FASB ASU 2018-08, clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. FASB ASU 2018-08 applies to non-exchange transactions. The Cape Coral Animal Shelter records the following non-exchange transaction revenue in its statement of activities for the year ended December 31, 2022:

Contributions and other grants - Revenue from contributions is recognized at the time the contribution is made. Revenue from grants is recognized as reimbursements are requested and barriers are met.

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

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

Functional expenses/cost allocation, continued

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.

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.

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

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.

Subsequent events

Subsequent events have been evaluated through July 11, 2023, 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, 2022:

	<u>Amount</u>
Depository accounts	\$ 1,149,028
Money market account	300,000
Petty cash	460
	<u>\$ 1,449,488</u>

At December 31, 2022, restricted cash balance was \$131,425 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, 2022 was \$1,031,308. 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, 2022

NOTE C - INVESTMENTS

Investments consist of the following at December 31, 2022:

	Cost	Fair Value
Money market accounts	\$ 641	\$ 641
Certificates of deposit	2,005,903	2,005,903
Equities	<u>39,612</u>	<u>99,523</u>
	<u>\$ 2,046,156</u>	<u>\$ 2,106,067</u>

Investments are recorded at fair value, as reflected on the Statement of Financial Position as of December 31, 2022 and are unrestricted in the amount of \$2,106,067. Investments held by a financial institution in a money market fund are subject to FDIC coverage. The equities are not subject to FDIC.

NOTE D - PLEDGE RECEIVABLES

Pledge receivables at December 31, 2022, are due as follows:

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

No discount to present value has been applied due to the timing of the receipt of the pledge, the amount of the pledge and the short term nature of the pledge.

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").

NOTE E - ENDOWMENT FUNDS, CONTINUED

The endowment fund is recorded in the financial statements of Cape Coral Animal Shelter as a beneficial interest in assets. 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 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, 2022:

	<u>Amount</u>
Beginning Balance	\$ 27,255
Contributions	-
Distributions to the Organization	-
Investment Performance	(4,028)
Foundation Fees	(362)
Investment Manager's Fees	(144)
Ending Balance	<u>\$ 22,721</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:

NOTE F - FAIR VALUE MEASUREMENTS, CONTINUED

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.

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, 2022:

	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	\$ 22,721	\$ -	\$ -	\$ 22,721
Investments:				
Money market accounts	641	641	-	-
Certificates of deposit	2,005,903	2,005,903	-	-
Equities	99,523	99,523	-	-
	<u>\$ 2,128,788</u>	<u>\$ 2,106,067</u>	<u>\$ -</u>	<u>\$ 22,721</u>

Level 1: Cape Coral Animal Shelter held money market accounts, equity mutual funds & a certificate of deposit at December 31, 2022.

Level 2: Cape Coral Animal Shelter held no such inputs at December 31, 2022.

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.

Assets and liabilities such as cash, receivables, payable and accrued liabilities are recorded at cost which approximate fair value due to the short term nature of the assets and liabilities.

NOTE G - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects Cape Coral Animal Shelter's financial assets as of December 31, 2022, reduced by amounts not available for general use because of contractual donor-imposed restrictions within one year.

	<u>Amount</u>
Total current assets	\$ 3,619,721
Less: current liabilities	<u>(23,539)</u>
Financial assets at year-end	3,596,182
Less: those unavailable for general expenditures within one year due to:	
Donor restricted for capital campaign - restricted cash	(131,425)
Clinic inventory	(52,932)
Processing inventory	<u>(6,134)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 3,405,691</u>

The Board had not self imposed any limits on net assets without donor restrictions at December 31, 2022.

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NOTE H - PROPERTY AND EQUIPMENT, NET

Property and equipment consists of the following at December 31, 2022:

	<u>Amount</u>
Building	\$ 1,624,452
Building improvements	12,829
Grounds	55,207
Furniture	68,697
Equipment	269,850
Vehicles	<u>39,212</u>
	2,070,247
Less: accumulated depreciation	<u>(297,720)</u>
Property and equipment, net	<u>\$ 1,772,527</u>

Depreciation expense for the year ended December 31, 2022, was \$115,579.

NOTE I - LONG-TERM DEBT

Long-term debt consists of the following obligations at December 31, 2022:

	<u>Amount</u>
\$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.	\$ 120,000
	<u>120,000</u>
Current Portion	-
Long-Term Portion	<u>\$ 120,000</u>

Principal maturities of long-term debt are as follows:

<u>Years Ending December 31</u>	<u>Amount</u>
2023	\$ -
2024	-
2025	120,000
2026	-
2027	-
	<u>\$ 120,000</u>

Interest expense related to long-term debt was \$0 for the year ended December 31, 2022.

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 land 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. Cape Coral Animal Shelter may purchase the land at any time during the term of the lease for the current appraised value. Due to the terms of the lease, the lease does not meet the recording terms of FASB ASU 2016-02 (Topic 842).

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions (temporarily restricted) at December 31, 2022, are available for the following purposes or periods:

Purpose restricted, available for spending:	<u>Amount</u>
Fence	\$ 18,930
Pet Medical	30,013
Landscaping	6,575
Grant	8,405
Capital campaign - Land/Other	<u>67,502</u>
Total purpose-restricted net assets - restricted cash	131,425
Permanently restricted:	
CCCF Endowment (Note E)	<u>22,721</u>
Total net assets with donor restrictions	<u><u>\$ 154,146</u></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 net 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, 2022, Cape Coral Animal Shelter received approximately 49% 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 \$120,000 loan from a Board member for the purpose of constructing the shelter building. See Notes I and A.

NOTE O - UNITED WAY CONTRIBUTIONS

The Lee County United Way provided Cape Coral Animal Shelter with annual allocated grants of \$12,000 for the year ended December 31, 2022.

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NOTE P - HURRICANE DAMAGE

On September 28, 2022, Hurricane Ian impacted Southwest Florida. The Cape Coral Animal Shelter sustained minimal damage as a result. Two photocopiers needed new power supplies, and a surge protector need to be replaced as well. The gates on the dumpster enclosure were also damaged. Total damage from Hurricane Ian was approximately \$7,000, with \$3,000 of that amount being incurred in fiscal year 2023.