

PACT
Financial Statements
For the Years Ended
December 31, 2021 and 2020

PACT

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Independent Auditors' Report

To the Board of Directors of
PACT

Opinion

We have audited the accompanying financial statements of PACT (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of PACT as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PACT 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.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PACT'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 judgement 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 PACT's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about PACT'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.

Baratz & Associates, P.A.
BARATZ & ASSOCIATES, P.A.
Marlton, NJ

October 21, 2022

PACT
Statements of Financial Position
As of December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 62,537	\$ 16,312
Total Current Assets	<u>62,537</u>	<u>16,312</u>
Property and Equipment		
Office equipment	45,329	45,329
Less: Accumulated Depreciation	<u>(33,643)</u>	<u>(29,944)</u>
Net Property and Equipment	<u>11,686</u>	<u>15,385</u>
Total Assets	<u>\$ 74,223</u>	<u>\$ 31,697</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued expenses	\$ 8,280	\$ 3,039
Total Current Liabilities	<u>8,280</u>	<u>3,039</u>
Net Assets		
Without Donor Restrictions	65,943	27,679
With Donor Restrictions	<u>-</u>	<u>979</u>
Total Net Assets	<u>65,943</u>	<u>28,658</u>
Total Liabilities and Net Assets	<u>\$ 74,223</u>	<u>\$ 31,697</u>

PACT
Statement of Activities
Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains, and Other Support			
Contributions	\$ 263,873	\$ -	\$ 263,873
Other Income	250	-	250
	<u>264,123</u>	<u>-</u>	<u>264,123</u>
Net Assets Released from Restriction			
Satisfaction of program restrictions	979	(979)	-
	<u>979</u>	<u>(979)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>265,102</u>	<u>(979)</u>	<u>264,123</u>
Expenses and Losses			
Program services - animal care	131,304	-	131,304
Management and general	77,889	-	77,889
Fundraising	17,645	-	17,645
	<u>226,838</u>	<u>-</u>	<u>226,838</u>
Total Expenses and Losses	<u>226,838</u>	<u>-</u>	<u>226,838</u>
Change in Net Assets	<u>38,264</u>	<u>(979)</u>	<u>37,285</u>
Net Assets at Beginning of Year	<u>27,679</u>	<u>979</u>	<u>28,658</u>
Net Assets at End of Year	<u>\$ 65,943</u>	<u>\$ -</u>	<u>\$ 65,943</u>

PACT
Statement of Activities
Year Ended December 31, 2020

	Without Donor Restriction	With Donor Restriction	Total
Revenues, Gains, and Other Support			
Grants	\$ 1,000	\$ -	\$ 1,000
Contributions	206,861	-	206,861
Gain on forgiveness of PPP loan	29,773		29,773
	<u>237,634</u>	<u>-</u>	<u>237,634</u>
Net Assets Released from Restriction			
Satisfaction of program restrictions	<u>1,787</u>	<u>(1,787)</u>	<u>-</u>
Total Revenues, Gains, and Other Support	<u>239,421</u>	<u>(1,787)</u>	<u>237,634</u>
Expenses and Losses			
Program services - animal care	156,880	-	156,880
Management and general	66,739	-	66,739
Fundraising	<u>30,846</u>	<u>-</u>	<u>30,846</u>
Total Expenses and Losses	<u>254,465</u>	<u>-</u>	<u>254,465</u>
Change in Net Assets	<u>(15,044)</u>	<u>(1,787)</u>	<u>(16,831)</u>
Net Assets at Beginning of Year	<u>42,723</u>	<u>2,766</u>	<u>45,489</u>
Net Assets at End of Year	<u>\$ 27,679</u>	<u>\$ 979</u>	<u>\$ 28,658</u>

PACT
Statement of Functional Expenses
Year Ended December 31, 2021

	<u>Supporting Services</u>			
	<u>Program Animal Care</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting fees	\$ -	\$ 9,670	\$ -	\$ 9,670
Advertising	2,118	-	-	2,118
Bank charges	-	5,269	-	5,269
Depreciation	-	3,699	-	3,699
Insurance		12,906	-	12,906
Office	3,070	-	-	3,070
Payroll	102,687	41,717	16,045	160,449
Pet Supplies	576	-	-	576
Postage and printing	248	-	-	248
Rescue & foster services	1,009	-	-	1,009
Miscellaneous Expenses	-	467	-	467
Payroll Preparation	3,181	-	-	3,181
Subscriptions & courses	4,532	-	-	4,532
Taxes	10,241	4,161	1,600	16,002
Telephone	3,642	-	-	3,642
	<u>\$ 131,304</u>	<u>\$ 77,889</u>	<u>\$ 17,645</u>	<u>\$ 226,838</u>

PACT
Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Supporting Services</u>			
	<u>Program Animal Care</u>	<u>Management & General</u>	<u>Fund Raising</u>	<u>Total</u>
Accounting fees	\$ -	\$ 5,450	\$ -	\$ 5,450
Advertising	27	-	-	27
Bank charges	-	46	-	46
Consultants	1,346	936	14,040	16,322
Depreciation	-	4,089	-	4,089
Insurance	-	12,522	-	12,522
Office	6,451	-	-	6,451
Payroll	95,219	38,683	14,878	148,780
Pet Supplies	1,913	-	-	1,913
Postage and printing	462	-	-	462
Professional fees	20,000	-	-	20,000
Rescue & foster services	5,665	-	-	5,665
Automobile Expenses	75	-	-	75
Meeting Expense	89	-	-	89
Payroll Preparation	2,747	-	-	2,747
Subscriptions & courses	5,897	-	-	5,897
Taxes	12,340	5,013	1,928	19,281
Telephone	3,891	-	-	3,891
Travel	758	-	-	758
	<u>\$ 156,880</u>	<u>\$ 66,739</u>	<u>\$ 30,846</u>	<u>\$ 254,465</u>

PACT
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 37,285	\$ (16,831)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	3,699	4,089
Change in Assets and Liabilities		
(Increase) decrease in assets:		
Accounts receivable	-	17,500
Increase (decrease) in liabilities:		
Accrued expenses	<u>5,241</u>	<u>1,717</u>
Net Cash Provided by Operating Activities	<u>46,225</u>	<u>6,475</u>
Net Increase in Cash and Cash Equivalents	46,225	6,475
Cash and Cash Equivalents - Beginning of Year	<u>16,312</u>	<u>9,837</u>
Cash and Cash Equivalents - End of Year	\$ <u><u>62,537</u></u>	\$ <u><u>16,312</u></u>

PACT
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

1. Organization

The Organization's primary exempt purpose is to develop, implement and administer programs that directly benefit both companion animals and their owners. PACT believes that providing knowledge, concentrating resources, coordinating efforts and inspiring the community is the best way to effectively improve the lives of companion animals and their human owners, so that both can live healthier and happier lives together for their mutual benefit.

They have provided assistance in fostering of animals for families and households who desperately want a safe haven for their animals during time of deployment or personal crisis.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles and provisions related to Financial Standards for Not-For-Profit Organizations. As such, the financial statements are presented on the basis of two net asset classifications; net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that expire by the passage of time or can be fulfilled or removed by actions pursuant to the stipulations. They include gifts restricted by donors for specific programs and other operating purposes. And net assets subject to donor-imposed stipulations that are required to be maintained permanently, thereby restricting the use of principal. Normally, donor-imposed stipulations allow part or all of the income earned to be used currently.

The Organization reports gifts of cash and other assets as restricted support if designated as support for future periods. When a donor restriction expires, that is when a stipulated time restriction ends, or purpose restriction is accomplished; Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activity as "Net Assets Released from Restrictions". Donor restricted contributions whose restrictions are met in the same reporting period, are reported as net assets without restrictions support. Contributions received and unconditional promises are measured at their fair values and are reported as an increase in net assets.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period pledged. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value as of the date of contribution. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved.

Revenue Recognition

The Organization receives its funding through fundraising and donor contributions. Contributions are recorded as revenue when the donor pledges the amount. Due to the nature of the donations, the revenues do not have performance obligations in relation to the above ASC 606 "Revenue from Contracts with Customers". Donations are not an exchange transaction and do not fall under the ASC 606 Accounting Policy.

PACT
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Donated Services

Donated services are recognized as contributions if the services (1) create or enhance non-financial assets or (2) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization. Volunteers also provide services that are not recognized as contributions in the financial statements since the recognition criteria were not met.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial statements.

Concentration of Credit Risk

For the years ended December 31, 2021 and 2020, respectively, approximately 51% and 53% of contribution revenue can be attributed to one contributor. The Organization's bank accounts are maintained at a reputable financial institution with federal insurance coverage, which generally covers deposits up to \$250,000.

Property and Equipment

Property and equipment are carried at cost less depreciation to date. Donated property used by the organization is recorded at fair value on the date contributed. Depreciation expense was \$3,699 and \$4,089 in 2021 and 2020 respectively. The useful life of property and equipment for purposes of computing depreciation is five years.

Impairment of Long-Lived-Assets

The Organization reviews its property and equipment for Impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Organization assesses recoverability by comparing the estimates undiscounted cash flows associated with the related asset or group of assets against their respective carrying amounts. The amount of impairment, if any, is calculated based on the excess of the carrying amount over the fair value of those assets.

Fair Value Measurement

Valuation techniques used in fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date. Assets and liabilities measured at fair value are categorized into one of three different levels depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly through market-corroborated inputs. Level 3 inputs are unobservable inputs for the asset or liability, including the Organization's own assumptions in determining the fair value of the assets or liabilities.

PACT
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The Organization allocates expenses on a functional basis among its program and supporting services. Expenses that can be identified with a specific program or supporting services are charged directly. Other expenses that are common to several functions are allocated based on various statistical bases.

Income Taxes and Tax – Exempt Status

No provisions are made for federal and state income taxes. The Organization is recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from federal income taxes. The Organization is a Pennsylvania non-profit and therefore is exempt from state corporate taxes.

FASB ASC 740-10-65-1 requires financial statement recognition of the impact of a tax position, if that position is more likely than not to be sustained on examination, based on the technical merits of the position. The benefit is calculated as the largest amount that is more than 50 percent likely to be realized upon resolution of the benefit. The Organization has evaluated its tax positions and believes all could be sustained upon examination. With few exceptions, the Organization is no longer subject to income tax examinations by federal authorities for years before 2019.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the 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

The Organization has evaluated subsequent events through October 21, 2022, which is the date the financial statements were available to be issued.

Accounting Standards Issued But Not Yet Adopted

The Organization believes that any new accounting standard issued during the year but not yet adopted will not have a material impact on these financial statements.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

PACT
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

3. Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31, 2021 and 2020:

	Pet <u>Supplies</u>
Balance, December 31, 2020	\$ 979
Increase (decrease) in net assets	
Contributions	-
Net Assets Released from Restrictions	<u>(979)</u>
Balance, December 31, 2021	\$ <u>0</u>

4. Related Party Transactions

The Founder/President of the Organization donated \$135,000 and \$120,000 in unrestricted funds during the years ended December 31, 2021 and 2020 respectively.

5. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. The following table reflects the Organization's financial assets (cash, cash equivalents and investments) as of December 31, 2021 and 2020, reduced by amounts not available for general expenditures within one year.

	<u>2021</u>	<u>2020</u>
Financial assets at year-end	\$ 62,537	\$ 16,312
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted	<u>-</u>	<u>(979)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 62,537</u>	<u>\$ 15,333</u>

6. Payroll Protection Program ("PPP")

The Organization applied for and received a Paycheck Protection Program ("PPP") loan as part of the CARES Act. PPP Loans may be fully or partially forgiven by application to the SBA. The Organization applied for the PPP loan in response to government restrictions and in anticipation of reduced revenues as a result of the response to the Global Pandemic. The Organization received a loan in the amount of \$29,773. Management has applied for forgiveness on April 22, 2021, the borrower was notified by the Small Business Administration that it qualified for full loan forgiveness in the amount of \$29,773.

PACT
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

7. Covid-19 Impact

During the first quarter of 2020, an outbreak of a novel coronavirus causing the disease COVID-19 evolved into a global pandemic. The global response to COVID-19 has evolved rapidly. Pennsylvania and surrounding state governments mandated restrictions on business operations and travel that have disrupted the operations of the Company. The duration of this public health crisis, government mandated restrictions, and future impact to the Company financial statements are currently unknown.

This disruption has caused delays and cancellations of certain programs performed during the years ended December 31, 2021 and 2020. The Company responded to this disruption by using various government programs to offset the any reduced revenue and net profits. The Company applied for and received a PPP loan (see note 6). As of the date the financial statements were available to be issued, operations have been mostly fully resumed as government restrictions have begun to ease.