

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

December 31, 2022 and 2021

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	3 – 4
FINANCIAL STATEMENTS	
Statements of Financial Position, December 31, 2022 and 2021	5
Statement of Activities for the Year Ended December 31, 2022	6
Statement of Activities for the Year Ended December 31, 2021	7
Statement of Functional Expenses for the Year Ended December 31, 2022	8
Statement of Functional Expenses for the Year Ended December 31, 2021	9
Statements of Cash Flows for the Years Ended December 31, 2022 and 2021	10
Notes to Financial Statements	11 – 18

Carolyn A. Mayes, CPA
Auditing and Consulting Services

INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the accompanying financial statements of North Bay Animal Services (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Bay Animal Services as of December 31, 2022 and 2021, 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 of Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of North Bay Animal Services and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management 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; 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.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- 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

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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 North Bay Animal Services' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events considered in the aggregate, that raise substantial doubt about North Bay Animal Services' ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Carolyn A Mayes, CPA

Santa Rosa, California
December 14, 2023

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statements of Financial Position
December 31, 2022 and 2021

	December 31, 2022	2021
ASSETS		
Cash and Cash Equivalents	\$ 22,243	\$ 74,527
Accounts Receivable	100,612	70,940
Prepaid Expenses and Deposits	12,663	1,800
TOTAL CURRENT ASSETS	135,518	147,267
 Right of Use Assets	 70,380	 -
Equipment, net	107,679	51,145
 TOTAL ASSETS	 \$ 313,577	 \$ 198,412
 LIABILITIES AND NET ASSETS		
Accounts Payable	84,270	91,340
Accrued Payroll and Payroll Taxes	43,843	60,190
Accrued Paid Time Off	12,192	10,018
Deferred Contract Revenues	97,917	-
Operating Lease Liability, current portion	24,840	-
Notes Payable	50,000	10,152
TOTAL CURRENT LIABILITIES	313,062	171,700
 Operating Lease Liability	 45,540	 -
 TOTAL LIABILITIES	 358,602	 171,700
 NET ASSETS		
Without Donor Restrictions	(45,712)	25,072
With Donor Restrictions	687	1,640
 TOTAL NET ASSETS	 (45,025)	 26,712
 TOTAL LIABILITIES AND NET ASSETS	 \$ 313,577	 \$ 198,412

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions:			
Individuals	\$ 153,892	\$ 2,000	\$ 155,892
Foundations and Businesses	195,658	-	195,658
In-Kind Contributions	192,000	-	192,000
Government Contract Income	1,094,008		1,094,008
Other contract revenues	33,333		33,333
Licensing Fees	81,567	-	81,567
Adoption Fees	25,392	-	25,392
Other Program fees	33,053	-	33,053
Net Assets Released From Restrictions:			
Satisfaction of Purpose Restrictions	2,953	(2,953)	-
 TOTAL REVENUES AND SUPPORT	 1,811,856	 (953)	 1,810,903
EXPENSES:			
Program Services:			
Animal Care	1,161,569	-	1,161,569
Animal Rescue	488,784	-	488,784
Total Program Services	1,650,353	-	1,650,353
Supporting Services:			
General & Administrative	214,777	-	214,777
Fundraising	17,510	-	17,510
Total Supporting Services	232,287	-	232,287
 TOTAL EXPENSES	 1,882,640	 -	 1,882,640
 CHANGE IN NET ASSETS	 (70,784)	 (953)	 (71,737)
NET ASSETS, BEGINNING	25,072	1,640	26,712
 NET ASSETS, END OF YEAR	 \$ (45,712)	 \$ 687	 \$ (45,025)

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Activities
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:			
Contributions:			
Individuals	\$ 134,975	\$ 7,000	\$ 141,975
Foundations and Businesses	81,398	10,000	91,398
In-Kind Contributions	144,000	-	144,000
Government Contract Income	909,657		909,657
Licensing Fees	106,934	-	106,934
Adoption Fees	25,334	-	25,334
Other Program fees	31,805	-	31,805
Net Assets Released From Restrictions:			
Satisfaction of Purpose Restrictions	17,000	(17,000)	-
TOTAL REVENUES AND SUPPORT	1,451,103	-	1,451,103
EXPENSES:			
Program Services:			
Animal Care	858,065	-	858,065
Animal Rescue	456,387	-	456,387
Total Program Services	1,314,452	-	1,314,452
Supporting Services:			
General & Administrative	173,144	-	173,144
Fundraising	13,234	-	13,234
Total Supporting Services	186,378	-	186,378
TOTAL EXPENSES	1,500,830	-	1,500,830
CHANGE IN NET ASSETS	(49,727)	-	(49,727)
NET ASSETS, BEGINNING	74,799	1,640	76,439
NET ASSETS, END OF YEAR	\$ 25,072	\$ 1,640	\$ 26,712

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Expenses			Supporting Expenses		
	Animal Care	Animal Rescue	Total Programs	General & Administrative	Fundraising	Total
EXPENSES						
Compensation Expenses:						
Salaries and Wages	\$ 468,111	\$ 271,521	\$ 739,632	\$ 80,014	\$ 7,123	\$ 826,769
Payroll Tax Expenses	50,454	29,265	79,719	8,624	768	89,111
Employee Benefits	69,864	40,524	110,388	11,942	1,063	123,393
Total Compensation Expenses	588,429	341,310	929,739	100,580	8,954	1,039,273
Rent expenses	179,040	22,140	201,180	12,960		214,140
Veterinary and outside medical	169,366		169,366			169,366
Professional fees	46,945		46,945	28,096		75,041
Insurance	24,423	14,035	38,458	34,457	180	73,095
Transportation Expenses	5,521	49,692	55,213			55,213
Program supplies	50,156		50,156			50,156
Utilities	22,675	13,362	36,037	4,049	405	40,491
Telephone and Internet	21,219	12,504	33,723	3,789	379	37,891
Depreciation	4,903	14,426	19,329			19,329
Office supplies	10,737	6,327	17,064	1,918	192	19,174
Repairs and Maintenance	14,437		14,437			14,437
Other general expenses	-	-	-	12,666	-	12,666
Technology	10,078		10,078	2,519		12,597
Bank and merchant charges			-	12,262		12,262
Advertising and Promotion	4,705		4,705	13	7,302	12,020
Small Equipment	5,510	3,247	8,757	984	98	9,839
Uniforms		7,382	7,382			7,382
Postage and Shipping		4,359	4,359	484		4,843
Contributions to Other Nonprofits	3,425		3,425			3,425
TOTAL EXPENSES	<u>\$ 1,161,569</u>	<u>\$ 488,784</u>	<u>\$ 1,650,353</u>	<u>\$ 214,777</u>	<u>\$ 17,510</u>	<u>\$ 1,882,640</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statement of Functional Expenses
For the Year Ended December 31, 2021

	Program Expenses			Supporting Expenses		
	Animal Care	Animal Rescue	Total Programs	General & Administrative	Fundraising	Total
EXPENSES						
Compensation Expenses:						
Salaries and Wages	\$ 309,889	\$ 240,706	\$ 550,595	\$ 52,200	\$ 5,220	\$ 608,015
Payroll Tax Expenses	37,948	29,477	67,425	6,392	639	74,456
Employee Benefits	79,283	61,582	140,865	13,355	1,335	155,555
Total Compensation Expenses	427,120	331,765	758,885	71,947	7,194	838,026
Rent expenses	131,040	21,600	152,640	12,960		165,600
Veterinary and outside medical	118,513		118,513			118,513
Professional fees	12,989		12,989	43,308		56,297
Transportation Expenses	5,476	49,260	54,736			54,736
Utilities	48,883	4,160	53,043	132		53,175
Program supplies	52,971		52,971			52,971
Insurance	14,716	11,253	25,969	23,562	289	49,820
Telephone and Internet	13,431	10,271	23,702	2,370	260	26,332
Depreciation	2,652	14,000	16,652			16,652
Repairs and Maintenance	10,968		10,968			10,968
Bank and merchant charges			-	10,797		10,797
Office supplies	5,102	3,902	9,004	900	100	10,004
Advertising and Promotion	2,782		2,782	88	5,331	8,201
Small Equipment	3,068	2,346	5,414	541	60	6,015
Other general expenses	-	-	-	5,771	-	5,771
Contributions to Other Nonprofits	5,145		5,145			5,145
Postage and Shipping		3,709	3,709	412		4,121
Uniforms		4,121	4,121			4,121
Technology	3,209		3,209	356		3,565
TOTAL EXPENSES	\$ 858,065	\$ 456,387	\$ 1,314,452	\$ 173,144	\$ 13,234	\$ 1,500,830

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Statements of Cash Flows
For the Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (71,737)	\$ (49,727)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	19,329	16,652
(Increase) Decrease in current assets:		
Accounts receivable	(29,672)	5,745
Prepaid expenses and deposits	(10,863)	7,412
Increase (Decrease) in current liabilities:		
Accounts payable	(7,070)	31,387
Accrued payroll and payroll taxes	(16,347)	31,494
Accrued paid time off	2,174	-
Deferred contract revenues	97,917	-
Other current liabilities	<u>-</u>	<u>(1,506)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(16,269)</u>	<u>41,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of animal care equipment and improvements	(56,863)	(11,500)
Purchases of transportation equipment	<u>(19,000)</u>	<u>(17,830)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(75,863)</u>	<u>(29,330)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	50,000	-
Repayments of notes payable from related party	<u>(10,152)</u>	<u>(36,000)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>39,848</u>	<u>(36,000)</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(52,284)	(23,873)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>74,527</u>	<u>98,400</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 22,243</u>	<u>\$ 74,527</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Right to Use Assets acquired through operating lease liability	<u>\$ 70,380</u>	<u>\$ -</u>

The Accompanying Notes are an Integral Part of These Financial Statements

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Organization began operations on August 1, 2018 with an animal care facility in Petaluma, California where dogs, cats and other animals receive care while waiting for adoption. On August 1, 2022, the Organization commenced operations at an additional shelter in Clearlake, California. The Organization maintains a website with information about it’s adoptable animals, programs and dog licensing services. The public may also meet adoptable animals in person at the Petaluma animal care facility. The Organization operates spay and neuter clinics, K-9 education at local elementary schools, and a dog licensing program. In addition, the Organization provides animal control and rescue services in California to the City of Petaluma, the City of Healdsburg, the City of Calistoga, and the Town of Windsor, the City of Cloverdale (effective 7/1/2021), the City of Sebastopol (effective 7/1/2022), and the City of Clearlake (effective 8/1/2022).

Going Concern – The financial statements of the Organization have been prepared under the accrual basis of accounting in accordance with U.S. generally accepted accounting principles assuming the Organization will continue as a going concern.

The Organization’s net assets decreased \$71,737 and \$49,727 during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the Organization’s net assets totaled \$(45,025). North Bay Animal Services has been steadily growing its operations since its inception in 2018. As new service areas have been added, the Organization incurred initial start-up costs for training, uniforms and equipment.

The Organization entered into a 10-year contract with the City of Clearlake effective August 1, 2022. Prior to the start of the contract, the Organization assisted the City of Clearlake with its animal care and animal control operations. The cost of this pre-contract assistance exceeded the related revenues. Since August 1, 2022, all of the Organization’s service areas are being supported by service contracts. In addition, management has made changes in personnel and employee benefits in order to reduce personnel expenses and has applied for an Employment Retention Tax Credit (ERTC) from the Internal Revenue Service. We believe the current operations and public support will alleviate future losses and return the net assets to positive.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

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

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

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

Net Assets Without Donor Restrictions

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

Net Assets With Donor Restrictions

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

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

Classification of Transactions

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

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

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

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

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

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

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

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

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

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

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

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

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

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

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

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

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

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following reflects the Organization’s financial assets as of December 31, 2022 and 2021, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

	<u>2022</u>	<u>2021</u>
Financial Assets at December 31:		
Cash and cash equivalents	\$ 22,243	\$ 74,527
Accounts receivable	<u>100,612</u>	<u>70,940</u>
Total Financial Assets at December 31	122,855	145,467
Less those available for general expenditures within one year, due to:		
Donor-imposed purpose restrictions	<u>(687)</u>	<u>(1,640)</u>
Financial assets available to meet cash needs from general expenditures within one year	<u>\$ 122,168</u>	<u>\$ 143,827</u>

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

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

NOTE 3 – EQUIPMENT

Equipment consists of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Animal Shelter Equipment	\$79,562	\$22,699
Transportation Equipment	<u>74,130</u>	<u>55,130</u>
Total Equipment	153,692	77,829
Less: Accumulated Depreciation	<u>(46,013)</u>	<u>(26,684)</u>
Equipment, net	<u>\$107,679</u>	<u>\$51,145</u>

Depreciation expense from property and equipment totaled \$19,329 and \$16,652 in the years ended December 31, 2022 and 2021, respectively.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 4 –OPERATING LEASES

The Organization was a lessee in the following leases during the years ended December 31, 2022 and 2021.

Petaluma, California

Effective August 1, 2018, the organization entered into a lease for its animal care and administration facilities in Petaluma, California with the City of Petaluma for base rent of \$1 per year. The Organization is responsible for maintaining the property and paying utilities and insurance on the property. The lease agreement is concurrent with the Professional Services Agreement with the City of Petaluma. On July 20, 2020, the Professional Services Agreement and facility lease agreement were both amended to extend the agreements through July 31, 2026 with an additional 3-year option to extend through July 31, 2029. Management has estimated the fair value of the leased facilities usage to total \$12,000 per month and has included the estimated fair value amount in in-kind contribution revenues and rent expenses in the Statements of Activities. In-kind rent expenses for this lease totaled \$144,000 in the years ended December 31, 2022 and 2021.

Windsor, California

The Organization leases a satellite office in Windsor, California. Base rent totaled \$1,800 per month through October 31, 2022. Effective November 1, 2022, the lease was renewed for \$2,070 per month through October 31, 2025. Rent expenses related to this lease totaled \$22,140 and \$21,600 during the years ended December 31, 2022 and 2021, respectively.

The Organization adopted Financial Accounting Standards Board (FASB) ASU No. 2016-02, *Leases (Topic 842)* on January 1, 2022. As a result of this adoption, the Organization recognized a right of use asset and an operating lease liability for the Windsor lease effective November 1, 2022.

Leased assets and liabilities consisted of the following as of December 31, 2022:

Assets:	
Right of Use Assets-Operating Lease	<u>\$70,380</u>
Liabilities:	
Current Operating Lease Liabilities	\$24,840
Long-term Operating Lease Liabilities	<u>45,540</u>
Total Lease Liabilities	<u>\$70,380</u>

Operating lease and short-term lease costs are included Rent Expenses in the Statement of Functional Expenses.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 4 –OPERATING LEASES (Continued)

The annual maturities of the operating lease liabilities are as follows:

Fiscal Year Ending June 30,	Operating Lease Liability
2023	\$24,840
2024	24,840
2025	20,700
Total	<u>\$70,380</u>

NOTE 5 – NOTES PAYABLE

Note Payable to Related Party

The Organization's Executive Director loaned the Organization \$46,152 to finance operations from inception through December 31, 2020. On August 4, 2021, the Board of Directors signed a loan agreement for the repayment of the loan at a rate of \$2,000 each month, commencing September 1, 2020, until the debt is repaid in full with no interest. The amounts due to the executive director totaled \$10,152 and \$0 on December 31, 2022 and 2021, respectively.

Note Payable to Individual

On October 7, 2022, the Organization received a unsecured loan totaling \$50,000 from an individual. The unpaid balance of the loan plus accrued interest at 5% per annum is due on April 6, 2023. The loan is personally guaranteed by the Executive Director.

As of December 31, 2022, future scheduled maturities of noncurrent term debt are as follows:

Year Ended December 31, 2023	<u>\$50,000</u>
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NOTE 6 – RETIREMENT PLAN

Effective January 1, 2020, the Organization sponsored an IRC Section 401(k) retirement plan (the Plan) for its employees. Substantially all employees are eligible to participate in the plan on the first of each month on or after the date of hire. The Plan allows for safe harbor employer match contributions of 100% of the first 1% of each participant's deferral and 50% of the next 5% of each participant's deferred compensation into the Plan. Employer safe harbor match contributions totaled \$15,767 and \$17,812 in the years ended December 31, 2022 and 2021, respectively.

The Plan also allows for discretionary employer profit sharing contributions. No employer profit sharing contributions were made to the plan during the fiscal years ended December 31, 2022 and 2021.

NORTH BAY ANIMAL SERVICES
(A Nonprofit Public Benefit Corporation)
Notes to Financial Statements
December 31, 2022 and 2021

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of net assets restricted for a certain cat's medical care totaling \$687 and \$1,640 as of December 31, 2022 and 2021.

NOTE 8 – IN-KIND CONTRIBUTIONS

In the years ended December 31, 2022 and 2021, the Organization received in-kind donations of facility usage. The in-kind contributions of facility usage have been included in the statements of activities as in-kind contributions and rent expenses. In-kind contributions consist of the following during the years ended December 31, 2022 and 2021:

	2022	2021
Facility Usage-Petaluma Facility	\$ 144,000	\$ 144,000
Facility Usage-Clearlake Facility	48,000	-
Total In-Kind Contributions	<u>\$ 192,000</u>	<u>\$ 144,000</u>

NOTE 9 – RISK, UNCERTAINTIES AND CONCENTRATIONS

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

Contract and program fee revenues related to the Organization's contract with the City of Petaluma totaled 41% and 50%, respectively, in the years ended December 31, 2022 and 2021. Government contract revenues are subject to audit from government agencies. However, management believes the results of an audit would not have an effect on the financial statements.

NOTE 10 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through December 14, 2023, the date which these financial statements were available to be issued.