

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)

FINANCIAL STATEMENTS
for the year ended December 31, 2021

Weworski & Associates
Certified Public Accountants

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
for the year ended December 31, 2021

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CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
Penngrove, California

Opinion

We have audited the accompanying financial statements of Paws For Purple Hearts (a California non-profit corporation), herein referred to as “the Organization”, which comprise the statement of financial position as of December 31, 2021, and the related statements of activities and cash flows for the year 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 Paws For Purple Hearts as of December 31, 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

We conducted 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 the Organization and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we 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 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.

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 the Organization’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 Organization'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 Organization'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.



San Diego, California
July 29, 2022

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current assets:

Cash and cash equivalents	\$ 3,148,585
Restricted cash	8,750
Investments	1,194,482
Inventory	82,041
Prepaid expenses and other current assets	<u>62,491</u>

Total current assets 4,496,349

Property and equipment, net 271,547

Other assets:

Deposits	<u>44,599</u>
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Total assets \$ 4,812,495

The accompanying notes are an integral part of these financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION, Continued
December 31, 2021

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 316,220
Accrued payroll and other accrued expenses	83,284
Current portion of notes payable	<u>18,432</u>

Total current liabilities 417,936

Deferred rent 38,732

Total liabilities 456,668

Net assets:

Without donor restrictions	4,347,077
With donor restrictions	<u>8,750</u>

Total net assets 4,355,827

Total liabilities and net assets \$ 4,812,495

The accompanying notes are an integral part of these financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
for the year ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<u>Revenue, gains, and other support:</u>			
Contributions:			
Cash donations	\$ 9,021,510	\$ 24,000	\$ 9,045,510
In-kind donations	6,368	-	6,368
Stock donations	59,622	-	59,622
Grant income	160,199	-	160,199
Investment income	67,210	-	67,210
Other revenue	36,398	-	36,398
Net assets released from restrictions	19,250	(19,250)	-
Total revenue, gains, and other support	9,370,557	4,750	9,375,307
<u>Expenses:</u>			
Program services	5,520,273	-	5,520,273
General and administrative	148,581	-	148,581
Fundraising	1,551,119	-	1,551,119
Total expenses	7,219,973	-	7,219,973
Change in net assets	2,150,584	4,750	2,155,334
<u>Net assets, Beginning</u>	2,196,493	4,000	2,200,493
<u>Net assets, Ending</u>	<u>\$ 4,347,077</u>	<u>\$ 8,750</u>	<u>\$ 4,355,827</u>

The accompanying notes are an integral part of these financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
for the year ended December 31, 2021

<u>Cash flow from operating activities:</u>	
Cash received from revenues, gains, and other support	\$ 9,090,026
Cash paid for program and supporting services	<u>(5,970,329)</u>
Net cash provided by operating activities	3,119,697
<u>Cash flow from investing activities:</u>	
Purchases of property and equipment	(53,590)
Purchase of investments	<u>(495,368)</u>
Net cash used in investing activities	(548,958)
<u>Cash flow from financing activities:</u>	
Payments made on notes payable	(245,313)
Payments made to related party, net	<u>(981,454)</u>
Net cash used in financing activities	<u>(1,226,767)</u>
Net increase in cash	1,343,972
<u>Cash, cash equivalents and restricted cash, Beginning</u>	<u>1,813,363</u>
<u>Cash, cash equivalents and restricted cash, Ending</u>	<u>\$ 3,157,335</u>

The accompanying notes are an integral part of these financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS, Continued
for the year ended December 31, 2021

Reconciliation of change in net assets to net cash
provided by operating activities:

Change in nets assets	\$ 2,155,334
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Adjustments to reconcile change in net assets to net cash
provided by operating activities:

Depreciation	231,030
Investment donation	(59,622)
Net appreciation of investments	(67,210)
Related party licensing and service fees	1,045,504
<u>Changes in assets and liabilities:</u>	
Inventory	(16,699)
Prepaid expenses and other current assets	(14,531)
Accounts payable	(13,749)
Accrued payroll and other accrued expenses	46,278
Deferred revenue	(158,449)
Deferred rent	(26,439)

Total adjustments	964,363
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Net cash provided by operating activities	\$ <u>3,119,697</u>
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Reconciliation of cash, cash equivalents and restricted cash to
cash, cash equivalents and restricted cash at the end of the year:

Cash and cash equivalents	\$ 3,148,585
Restricted cash	8,750

Cash, cash equivalents and restricted cash at the end of the year	\$ <u>3,157,335</u>
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The accompanying notes are an intergral part of these financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS
for the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies

The following items comprise the significant accounting policies of the Organization. The policies reflect industry practices and conform to accounting principles generally accepted in the United States of America.

Organization's Activities

Paws For Purple Hearts (the Organization) is a California non-profit corporation that was founded in 2011 to offer therapeutic intervention for veterans and active-duty personnel by teaching those with Post Traumatic Stress Disorder (PTSD) to train service dogs for their comrades with combat-related disabilities. The Organization provides this program at Anchorage, Alaska; Menlo Park and San Diego, California; San Antonio, Texas and Ruther Glen, Virginia.

Basis of Accounting

The accounting records and accompanying financial statements have been maintained and prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

The Organization's financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). This standard requires the classification of the Organization's financial position and activities according to two classes of net assets; without donor restrictions and with donor restrictions.

Net asset without donor restrictions - Net assets that are not subject to donor-imposed restrictions.

Net assets with donor restrictions - Net assets that are subject to donor imposed restrictions.

As of December 31, 2021, the Organization has net assets without donor restrictions of \$4,347,077 and net assets with donor restrictions of \$8,750.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies, Continued

Use of Estimates, Continued

Although our current estimates contemplate current conditions, including the impact of the novel coronavirus (COVID) pandemic, and how we expect them to change in the future, as appropriate, it is reasonably possible that actual conditions could differ from what was anticipated in those estimates, which could materially affect our results of operations and financial condition.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

As of December 31, 2021, the Organization has cash restricted to use of \$8,750. The cash was restricted by the donor to be used for a specific dog training and related training relations and was not available for general operating purposes.

Investments

The Organization's investments consist of equity and fixed income securities. Investments with readily determinable fair values are stated at fair value. Management has determined all investments should be classified as Level 1 investments. Dividends, interest, realized and unrealized gains and losses on investments are included in investment income in the accompanying statements of activities.

Fair value of securities is based upon quoted market prices in active markets or estimated fair value when quoted market prices are not available. The cost basis for realized gains and losses on available-for-sale securities is determined on a specific identification basis.

The Organization recognizes transfers in and out of levels within fair value hierarchy at the end of the reporting period. There were no transfers between levels during the year ended December 31, 2021.

Inventory

The Organization trains dogs and has purchased dogs costing \$82,041 and is included in inventory on the accompany statement of financial position.

Property and Equipment -

Property and equipment are recorded at cost, or if donated, at fair value on the donation date. Depreciation is computed using the straight-line method over estimated useful lives. Accelerated methods of depreciation are utilized for income tax reporting purposes. Normal repairs and maintenance are expensed as incurred.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

Expenditures that materially extend the useful life of an asset are capitalized. The cost and related accumulated depreciation of assets sold or otherwise disposed of are eliminated and any resulting gain or loss on disposition is included in income. Fixed assets are depreciated on the straight-line method over 5 to 7 years.

Revenues

The Organization recognizes revenue in accordance with FASB ASC Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The Organization records contribution income as revenue upon receipt or promise to give. The Organization records grant income as revenue upon receipt or as the revenue is earned upon completion of required services imposed by the grant. Contributions and grants with donor-imposed restrictions are reported as revenue. Restricted net assets are reclassified to net assets without restrictions when an event occurs which satisfies the donor-imposed restrictions. Deferred revenue represents grant revenue that has not yet been earned as the Organization has not performed all required services to consider the grant income earned.

Advertising Costs

Advertising, promotion and similar costs are expensed as incurred.

Income Taxes

The Organization is tax-exempt under Section 501(c)(3) of the Internal Revenue Code, and is not liable for federal or state income taxes. The Organization could be liable for unrelated business income tax, should it have any income from trade or business activities regularly carried on that are unrelated to the purposes for which it was granted tax exemption. Management does not believe the Organization has any unrelated business income.

U.S. GAAP requires the Organization's management to evaluate tax positions taken by the Organization and recognize a tax liability if the Organization has taken an uncertain position that more likely than not would be sustained upon examination by the Internal Revenue Service (IRS). The Organization has analyzed the tax positions taken by the Organization, and believes there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies, Continued

Income Taxes, Continued

The Organization's tax filings are subject to audit by various taxing authorities. As of December 31, 2021, the earliest tax year still subject to examination is 2018 for federal purposes and 2017 for state purposes. The Organization believes their estimates are appropriate based on current facts and circumstances.

Functional Expenses

The costs of providing the program and supporting services have been summarized on a functional basis in Note 11. The allocation of functional expenses in Note 11 presents the natural classification detail of expenses by function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expense are tracked using direct identification methodology of charging specific expenses as either program services or institutional support.

Fair Value

Fair value is defined 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. Depending on the nature of the asset or liability, various techniques and assumptions can be used to estimate fair value.

The definition of the fair value hierarchy is as follows:

Level 1 - Quoted prices in active markets for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets for similar assets and liabilities.

Level 3 - Inputs for which significant valuation assumptions are unobservable in a market and therefore value is based on the best available data, some of which is internally developed and considers risk premiums that market participants would require.

The Organization's investments are reported at fair value. The Organization's remaining financial instruments primarily consist of cash and cash equivalents, inventory, accounts payable, other accrued expenses, debt and deferred rent. The carrying values of the Organization's financial instruments approximate fair value.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 1: Summary of Significant Accounting Policies, Continued

Concentration of Credit Risk

The Organization maintains its cash balance and cash equivalents in financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. The Organization performs ongoing evaluations of these institutions to limit concentration risk exposure.

New Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The guidance in ASU 2016-02 provides guidance in GAAP about the recognition of assets and liabilities by lessees for those leases classified as operating leases under GAAP. The guidance requires that a lessee should recognize in the statement of financial position a liability to make lease payments and a right-to-use asset representing the company's right to use the underlying assets for the term of the lease. The guidance allows a lessee who entered into a lease with a term of 12 months or less to make an accounting policy election by class of underlying assets not to recognize assets and liabilities. The provisions of ASU 2016-02 are effective for the fiscal periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. During November 2019, the FASB issued ASU 2019-10, extending the effective date of the ASU to periods beginning after December 15, 2020. In June 2020, the FASB issued ASU 2020-05, extending the effective date to periods beginning after December 15, 2021. Early implementation is permitted. The Company has not yet elected this accounting guidance.

Note 2: Related Party Transactions

The founder, who is also a member of the board of directors of the Organization, is a member of the board of directors of Bergin University of Canine Studies (BUCS). The Organization has a contract with BUCS located in Pennngrove, California, as discussed further in Note 8. As a result of the contract, the Organization paid \$709,831 to BUCS during the year ended December 31, 2021, which is included in program services on the accompanying statement of activities. As of December 31, 2021, the Organization has an outstanding liability of \$234,130 as a result of the contract, which is included in accounts payable on the accompanying statement of financial position.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 3: Information about Financial Assets and Liquidity

The Organization's financial assets without donor or other restrictions limiting their use, available within one year of the balance sheet date for general expenditure, are as follows:

Cash and cash equivalents	\$ 3,148,585
Investments	<u>1,194,482</u>
	<u>\$ 4,343,067</u>

The Organization's liquidity management policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To manage unanticipated liquidity needs, the investments noted above are available for sale and can be used to fund the operations and future liabilities of the Organization.

Note 4: Investments

Investments in marketable securities are recorded at fair value. The Organization's investments consist of the following at December 31, 2021:

	Adjusted Cost	Unrealized Gains	Fair Value
Equity securities	\$ 58,436	\$ 28,163	\$ 86,599
Mutual funds	<u>1,018,015</u>	<u>89,868</u>	<u>1,107,883</u>
Total	<u>\$ 1,076,451</u>	<u>\$ 118,031</u>	<u>\$ 1,194,482</u>

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to level or risk associated with certain investment securities, it is at least reasonably possible that changes in any of these factors could materially affect amounts reported.

Note 5: Fair Value Measurement

Following is a description of the valuation methodologies used for assets measured at fair value:

Equity Securities and Mutual Funds: Valued at the closing price reported on the active market on which the individual securities are traded and categorized as level 1 of the fair value hierarchy.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 5: Fair Value Measurement, Continued

The preceding method described may produce a settlement value calculation that may not be indicative of net realizable value or reflective of future settlement values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the settlement value of certain financial instruments could result in a different settlement value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of December 31, 2021:

	<u>Fair Value</u>	<u>Level 1</u>
Equity securities	\$ 86,599	\$ 86,599
Mutual funds	1,107,883	1,107,883
	<u>\$ 1,194,482</u>	<u>\$ 1,194,482</u>

Note 6: Property and Equipment

Property and equipment consists of the following:

Furniture and fixtures	\$ 157,123
Leasehold improvements	831,308
Autos and trucks	<u>222,525</u>
	1,210,956
Less: accumulated depreciation	<u>(939,409)</u>
	<u>\$ 271,547</u>

Depreciation expense for the year ended December 31, 2021 was \$231,030 and is included in program services on the accompany statement of activities.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 7: Debt

Debt consists of the following:

The Organization has two notes payable for four vans. The notes payable require monthly payments totaling \$3,419, including interest rate of 4.7% and mature throughout September 2022.

	\$ 18,432
Total	18,432
Less: current portion	(18,432)
Long-term portion	\$ -

Future maturities of long-term debt described above are as follows:

<u>Year ending December 31,</u>	
2022	18,432
Thereafter	-
	\$ 18,432

During 2021, the Organization paid in full its Small Business Administration Injury Disaster Loan of \$149,900 which required monthly payments of \$641, including an interest rate of 2.75%.

Note 8: Agreements

The Organization has an agreement with Bergin University of Canine Studies (BUCS) to provide dogs that are suitable for candidates for training by veterans suffering from psychological scars, curriculum and updates for teaching veterans about training services and assistance dogs and oversight of the program, consulting regarding dogs being trained by the Organization, and services and expenses. The Organization has agreed to identify veterans eligible for dogs, work with veterans under the Organization's supervision, obtain dogs exclusively from BUCS, provide for the health and maintenance of the dogs, to extent possible, and all instructors of the Organization shall be BUCS graduates. In addition, the Organization will return the dogs to BUCS when suitable for placement. The agreement requires the Organization to reimburse BUCS for the cost of services and expenses, and an annual licensing fee of 9.75% of the Organization's revenue from \$250,000 to \$499,000, 8.5% of revenue from \$500,000 to \$749,000, 7.25% of revenue from

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 8: Agreements, Continued

\$750,000 to \$1,000,000 and 6% of revenue in excess of \$1,000,000. During the year ended December 31, 2021, the Organization recorded \$759,114 for licensing and administrative fees which is included in program services on the accompanying statement of activities. As of December 31, 2021, the Organization owes \$234,130 to BUCS related to the above agreement which is included in accounts payable on the accompanying statement of financial position.

Note 9: Operating Leases

The Organization leases facilities in Anchorage, Alaska; Ruther Glen, Virginia; San Diego, California and San Antonio, Texas under non-cancelable operating leases. The leases for the locations require monthly payments totaling \$37,944 and expire in September 2026. In addition, the leases have scheduled rate increases, provide for rent abatement, require the Organization to pay for common area maintenance.

The Organization has a copier lease under a non-cancelable operating lease, requiring monthly payments totaling \$102 and expires in October 2025.

The future minimum payments under these leases are as follows:

<u>Year ending December 31,</u>	
2022	\$ 374,889
2023	206,226
2024	168,006
2025	172,806
2026	131,715
Thereafter	-
	<u>\$ 1,053,642</u>

Rent expense for the year ended December 31, 2021 was \$377,376 and is included in program services on the accompany statement of activities.

Note 10: Commitments and Contingencies

Litigation

Management does not believe the Organization is currently party to any pending or threatened litigation arising from services currently or formerly performed by the Organization. To the extent that there may be pending or threatened litigation that management is unaware of, they do not believe there to be any possible claims that could have a material adverse effect on their business, results of operations or financial condition.

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 10: Commitments and Contingencies, Continued

COVID-19 Pandemic

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization, which recommended containment and mitigation measures worldwide. The outbreak and the response of governmental and public health organizations in dealing with the pandemic included restricting general activity levels within communities, the economy, and activities of our employees. While the Organization has experienced an impact to its business, operations, and financial results as a result of the COVID-19 pandemic, it may have even more far-reaching impacts on many aspects of operations including the impact on business operations, employees, and the market in general. The extent to which the COVID-19 pandemic ultimately impacts the Organization's business, financial condition, results of operations, cash flows, and liquidity may differ from management's current estimates due to inherent uncertainties regarding the duration and further spread of the outbreak, actions taken to contain the virus, as well as, how quickly and to what extent normal economic and operating conditions can resume.

Note 11: Functional Expenses

The following tables present expenses by both their nature and function for the year ended December 31, 2021:

	Program Services	General and Administrative	Fundraising	Total
Salaries, benefits and payroll taxes	\$ 1,115,752	\$ 49,876	\$ 183,304	\$ 1,348,932
Bank fees	50,371	543	13,643	64,557
Contract services	515,989	45,063	7,403	568,455
Dog supplies	101,122	-	-	101,122
Equipment and furniture	16,938	-	-	16,938
Office expenses	5,205	-	1,080	6,285
Mailing lists	119,236	2,512	63,108	184,856
Marketing	56,464	-	4,811	61,275
Occupancy	468,283	-	-	468,283
Postage	1,062,759	22,324	561,008	1,646,091
Printing and copying	596,235	11,946	301,860	910,041
Supplies	24,703	-	-	24,703
Insurance	30,869	-	-	30,869
Licensing fees	310,406	-	-	310,406
Professional services	766,873	16,317	410,040	1,193,230
Taxes and licenses	2,163	-	4,862	7,025
Travel and meetings	45,875	-	-	45,875
Depreciation	231,030	-	-	231,030
	<u>\$ 5,520,273</u>	<u>\$ 148,581</u>	<u>\$ 1,551,119</u>	<u>\$ 7,219,973</u>

PAWS FOR PURPLE HEARTS
(A California Non-Profit Corporation)
NOTES TO THE FINANCIAL STATEMENTS, Continued
for the year ended December 31, 2021

Note 11: Functional Expenses, Continued

Operating expenses are allocated functionally on a direct basis. Certain categories of expenses are attributable to more than one function, such as salaries, benefits and payroll taxes, services and professional fees, supplies, and penalties and interest. In addition, the Organization had joint costs of \$2,785,477 related to a direct mail call-to-action fundraising campaign. The joint costs have been allocated to each functional expense, program services of \$2,425,078, general and administrative of \$4,042 and fundraising of \$356,357.

Note 12: Subsequent Events

Subsequent events were evaluated through July 29, 2022, which is the date the financial statements were available to be issued.