



VETCARES, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2022

(With Independent Auditors' Report Thereon)

VETCares, Inc.

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTAL INFORMATION	
Report on Internal Control over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	16



tellees. cpa+business advisors
www.tellees.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
VetCares, Inc.
Corona, California

Opinion

We have audited the accompanying financial statements of VetCares, Inc. (the Organization) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statement 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 VetCares, Inc. as of December 31, 2022, 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 audit 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 VetCares, Inc. 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.

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.

(Continued)

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 VetCares, Inc.'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 VetCares, Inc.'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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated March 2, 2023 on our consideration of VetCares, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering VetCares, Inc.'s internal control over financial reporting and compliance.

tellees.



Glendale, California
March 2, 2023

VETCARES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 105,413
Inventories	<u>2,775</u>
Total current assets	108,188
Long-term assets	
Property and equipment, net (<i>Note 5</i>)	22,398
Operating lease right-of-use asset (<i>Note 6</i>)	171,035
Security deposit and other assets	<u>5,272</u>
Total assets	<u><u>\$ 306,893</u></u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accrued expenses	\$ 11,275
Other liabilities	745
Operating lease liabilities	<u>46,239</u>
Total current liabilities	58,259
Long-term liabilities	
Operating lease liabilities, net of current	126,166
Commitments and contingencies (<i>Note 6</i>)	<u>-</u>
Total liabilities	<u>184,425</u>
Total net assets	<u>122,468</u>
Total liabilities and net assets	<u><u>\$ 306,893</u></u>

See independent auditor's report and accompanying notes.

VETCARES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support			
Direct public grants	\$ 27,500	\$ -	\$ 27,500
Affiliated organization contribution	275,500	-	275,500
Total revenues and support	303,000	-	303,000
Operating revenues			
Donations and sales of furniture	31,803	-	31,803
Individual business contributions	25,875	-	25,875
Other revenues	1,410	-	1,410
Total operating revenues	59,088	-	59,088
Total revenues, support and operating revenues	362,088	-	362,088
Expenses			
Program services expenses	65,427		65,427
Management and general expenses	63,986		63,986
Fundraising expenses	110,207		110,207
Total expenses	239,620	-	239,620
Operating increase in net assets	122,468	-	122,468
Change in net assets	122,468	-	122,468
Net assets, beginning of year	-	-	-
Net assets, end of year	\$ 122,468	\$ -	\$ 122,468

See independent auditor's report and accompanying notes.

VETCARES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program services expenses	Management and general expenses	Fundraising expenses	Total expenses
Advertising expenses	\$ 4,884	\$ -	\$ 4,885	\$ 9,769
Automobile expenses	\$ 112			112
Awards and grants	3,342	-	-	3,342
Bank service fees	-	2,220	-	2,220
Books, subscriptions and reference	437	436	-	873
Business registration fees	-	188	-	188
Cost of sales	-	-	12,125	12,125
Contract services	32,551	32,551	32,550	97,652
Depreciation and amortization	-	3,489	-	3,489
Event supplies	3,409	-	-	3,409
Food and beverages - events	1,728	-	-	1,728
Insurance	-	1,793	-	1,793
Janitorial services	-	205	-	205
Memberships and dues	-	-	5,388	5,388
Postage and mailing service	-	-	164	164
Printing and copying	-	-	1,440	1,440
Professional services	-	11,275	-	11,275
Rent expense	3,168	-	31,274	34,442
Repairs and maintenance	-	340	-	340
Salaries and related expenses	-	-	20,813	20,813
Supplies	7,956	2,420	-	10,376
Telephone	-	4,068	-	4,068
Travel	7,840	1,045	1,568	10,453
Utilities	-	3,936	-	3,936
Other expense	-	20	-	20
	<u>\$ 65,427</u>	<u>\$ 63,986</u>	<u>\$ 110,207</u>	<u>\$ 239,620</u>

See independent auditor's report and accompanying notes.

VETCARES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating increase in net assets	\$ 122,468
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:	
Depreciation and amortization expense	3,489
Changes in operating assets and liabilities:	
Prepaid expenses	(5,272)
Inventories	(2,775)
Accounts payable	11,275
Other liabilities	2,115
	131,300
 CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	(25,887)
	(25,887)
Net increase in cash and cash equivalents	105,413
Cash and cash equivalents, beginning of the year	-
Cash and cash equivalents, end of the year	\$ 105,413
 SUPPLEMENTAL DISCLOSURES	
Interest paid	\$ -

See independent auditor's report and accompanying notes.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - General

VETCares, Inc. (a nonprofit organization), is a California non-profit organization incorporated on July 6, 2021, dedicated to support military, veterans, and their families as a result of a hardship. Programs are designed to achieve short-term objectives as well as ensuring long-term sustainability. Focus areas include suicide prevention education and alternative therapies; first-time home buyer closing cost grants; financial assistance for emergency needs; and life-changing outdoor adventures for those re-discovering purpose and tranquility. Every man and woman that has honorably served deserves a place to go when they need a hand up – VETCares, Inc. is that place.

The Organization is governed by an independent, volunteer Board of Directors who oversees the Organization's operations.

Note 2 - Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The Organization utilizes the accrual basis of accounting.

Financial Statement Presentation

The financial statement presentation is in accordance with FASB ASC 958, Not-for-Profit Entities, as amended by ASU 2016-14. Under ASC 958, as amended, the Agency is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions.

Net assets without donor restrictions

Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors.

Net assets with donor restrictions

Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

The Organization does not currently have any donor restrictions.

Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Revenue Recognition

The Organization recognizes services and other fee revenue in the period when the service has been provided.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash in operating bank accounts, cash on hand and interest bearing short-term investments with maturity of three months or less as cash and cash equivalents.

Uninsured Cash Balances

The Organization maintains balances in its checking and saving accounts at various financial institutions, which periodically exceeds the federally insured limits of \$250,000, per insured bank. Accordingly, there is a concentration of credit risk related to amounts on deposit in excess of this coverage. Management believes this risk is not significant.

Inventory

Inventory is valued at the lower of cost (first-in first-out) or realizable value.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Contributions and Donor Restrictions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of 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 statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation. Depreciation expense is computed under the straight-line method over the estimated useful lives of the assets.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period. The cost of maintenance and repairs is charged against income as incurred, whereas significant renewals or betterments are capitalized. Included in the statement of activities are provisions for depreciation in the amount of \$3,489.

In-Kind Support

The Organization receives donations from a variety of sources for the furtherance of its objectives. Non-cash donations are recorded as contributions at their estimated fair market values at the date of donation. Contributions of services are recognized if the services received creates or enhances nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended December 31, 2022, the Organization received \$14,900 in donated properties that have been reflected in the statements of activities.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

The Organization allocates its expenses on a functional basis among its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated by management on an equitable basis.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$9,769 for the year ended December 31, 2022.

Income Taxes

The Organization follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Accounting for Uncertainty in Income Taxes, which prescribes a minimum recognition threshold and measurement methodology for tax positions taken, or expected to be taken, in a tax return prior to recognition in the financial statements. The standard also provides guidance for derecognition, classification, interest and penalties, and accounting in interim periods, disclosure, and transition.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701d, and therefore no provision for income taxes is included in the financial statements. The Organization believes that it has appropriate support for the positions taken on its tax returns and that the exempt status would be sustained on examination.

The Organization classifies interest and penalties on underpayments of income tax, if any, as interest expense and penalties, respectively, both of which would be included in general and administrative expenses. The Organization files tax returns in the United States federal and California state jurisdictions.

The Organization believes that it has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if such interest and penalties are incurred.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 2 - Summary of Significant Policies (continued)

Fair Value Measurements

The Organization has financial instruments whereby the fair market value of the financial instruments could be different than that recorded on a historical basis on the accompanying statements of financial position. The Organization's financial instruments consist of cash and cash equivalents, inventories, and accrued expenses. The carrying amounts of the Organization's financial instruments generally approximate their fair values at December 31, 2022.

Accounting Pronouncements Adopted

In February 2016, the Financial Accounting Standards Board, FASB, issued updated guidance on leases. The new standard requires all lessees to recognize a lease liability and a right-of-use asset, measured at the present value of the future minimum lease payments, at the lease commencement date. Lessor accounting remains largely unchanged under the new guidance. A modified retrospective approach should be applied for leases existing at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual and interim periods beginning after December 15, 2021, and early adoption is permitted. The implementation of the new standard had no effect on the statement of financial position or activities for the year ended December 31, 2022.

In September 2020, the FASB issued updated guidance on contributed nonfinancial assets (gifts-in-kind). The new standard requires not-for-profit entities to present gifts-in-kind on a separate line item in the statement of activities, and to disclose a disaggregation by category that depicts the type of gifts-in-kind. For each category, it is also required to disclose how the assets are used or monetized, including any associated donor or grant restrictions, and how they are valued. A retrospective approach should be applied for gifts-in-kind at the beginning of the earliest comparative period presented in the financial statements. The guidance is effective for annual periods beginning after June 15, 2022, and early adoption is permitted. The implementation of the new standard had no effect on the statement of activities for the year ended December 31, 2022.

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Availability and Liquidity

As of December 31, 2022, the Organization’s liquidity resources and financial assets available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets at year-end:	
Cash and cash equivalents	\$ 105,413
Less amounts not available to be used within one year	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 105,413</u>

The Organization’s financial assets available to meet cash needs for general expenditures within one year represents funding for ongoing operational requirements.

The Organization has an investment policy authorized by the Board of Directors that provides guidance and oversight for the management of cash and cash equivalents. The policy provides that the Organization maintain an adequate level of cash to meet on-going operational requirements. In addition, the policy sets forth the structure for investment of excess cash and cash equivalents based on the financial needs of the Agency, the time horizon of those needs and the Board of Directors’ investment philosophy.

Note 4 - Inventory

As of December 31, 2022, inventories is as follows:

Furniture	<u>\$ 2,775</u>
Total Inventories	<u>\$ 2,775</u>

Note 5 - Property and Equipment

As of December 31, 2022, the cost of property and equipment is as follows:

Leasehold improvements	<u>\$ 25,887</u>
Less accumulated depreciation	<u>(3,489)</u>
Total, net	<u>\$ 22,398</u>

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 – Commitments and Contingencies

Legal

The Organization is from time to time involved in ordinary routine litigation incidental to the conduct of its business. The Organization regularly reviews all pending litigation matters in which it is involved and establishes reserves deemed appropriate for such litigation matters, such reserved amounts are charged to operations in the year during which they are accrued.

The Organization believes that no presently pending litigation matters are likely to have a material adverse effect on the Organization financial statements, taken as a whole.

Operating Lease Commitment

On April 18, 2022, the Organization entered into a non-cancelable operating lease for an thrift store in Las Vegas, Nevada. The lease agreement requires 48 monthly lease payments that range from \$3,312 to \$3,619 per month plus common area maintenance expenses. The lease commences in June 2022 and expires in May 2026. The lease has a remaining lease term of less than three years, with no options to extend.

The components of lease expense are as follows:

For the year ended December 31, 2022, operating lease costs amounted to \$31,274.

Other information related to leases are as follows:

Supplemental Cash Flows Information: for the year ended December 31, 2022

Cash paid for amounts included in the measurement of lease liabilities:

- Operating cash flows from operating leases: \$29,904

Right-of-use assets obtained in exchange for lease obligations:

- Operating leases: \$171,035

Weighted Average Remaining Lease Term for operating leases: 3.4 years

Weighted Average Discount Rate for operating leases: 4.00%

VETCARES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 6 – Commitments and Contingencies (continued)

Operating Lease Commitment

Future minimum lease payments under non-cancelable leases as of December 31, 2022 are as follows:

	Fiscal Year	Operating Leases
	2023	\$ 52,160
	2024	53,717
	2025	55,331
	2026	23,340
Total future minimum lease payments		184,548
Less imputed interest		(12,143)
	Total	\$ 172,405
		December 31, 2022
Operating lease liabilities		\$ 46,239
Operating lease liabilities, net of current		\$ 126,166

Note 7 – Related Party Transactions

The Organization received a grant of \$235,000 from USA Homeownership Foundation, Inc., a nonprofit organization, controlled by co-founder and President of the Organization.

Note 8 – Concentration

Approximately 91% of the Organization’s revenues and other support was provided by contributions from one entity, USA Homeownership Foundation, Inc. See note 7.

Note 9 – Subsequent Events

The Organization has evaluated subsequent events for potential recognition and/or disclosure through March 2, 2023, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION



tellees. cpa+business advisors
www.tellees.com

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
VetCares, Inc.
Corona, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of VetCares, Inc. for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise of VetCares, Inc.'s basic financial statements, and have issued our report thereon dated March 2, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered VetCares, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of VetCares, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of VetCares, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether VetCares, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Board of Directors
VetCares, Inc.
March 2, 2023
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

tellees.

A handwritten signature in cursive script that reads "tellees." with a period at the end.

Glendale, California
March 2, 2023