# THE PET COMPASSION CENTERS

# FINANCIAL STATEMENTS

# AND

# REPORT OF INDEPENDENT AUDITOR'S

# DECEMBER 31, 2024

**THE PET COMPASSION CENTERS**

## Table of Contents


| | Page |
|---|---|
| Independent Auditor's Report | 1-2 |
| Financial Section: | |
| Statement of Financial Position | 3 |
| Statement of Activities and Changes in Net Asset | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-12 |

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# INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Pet Compassion Centers
Memphis, TN

## Opinion

We have audited the accompanying financial statements of The Pet Compassion Centers, (a non-profit organization), which comprise the statements of financial position as of December 31, 2024 and the related statement of activities, functional expenses, 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 The Pet Compassion Centers, as of December 31, 2024 and the changes in its net assets and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Basis for Opinion

We conducted the 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 The Pet Compassion Centers and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 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 Pet Compassion Centers's, ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives is 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 Pet Compassion Centers' 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 Pet Compassion Centers' 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.

**KMS Financial Consulting**
KMS Financial Consulting
License Number AD 70734
Coral Springs, FL
December 11, 2025

**THE PET COMPASSION CENTERS**

**STATEMENT OF POSITION**
**December 31, 2024**

| | Total |
|---|---|
| **ASSETS** | |
| Cash and cash equivalents | $97,047 |
| Inventory | 391,293 |
| Total Current Assets | 488,340 |
| **OTHER ASSETS** | |
| Property and Equipment, net Note 6 | 16,965 |
| Total Other Assets | 16,965 |
| **Total assets** | **$505,305** |
| **LIABILITIES AND NET ASSETS** | |
| **LIABILITIES** | |
| Accounts Payable | $46,450 |
| Note Payable - Note 7 | 8,952 |
| Total Current Liabilities | 55,402 |
| Note Payable - Note 7 | 307,062 |
| Total Non-Current Liabilities | 307,062 |
| Total Liabilities | 362,464 |
| **NET ASSETS** | |
| Without donor restrictions | 142,841 |
| Total net assets | 142,841 |
| **Total liabilities and net assets** | **$505,305** |

**THE PET COMPASSION CENTERS**

**STATEMENT OF ACTIVITIES**
**For The Year Ended December 31, 2024**

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| REVENUES AND OTHER SUPPORT | | | |
| Grants | $119,349 | $0 | $119,349 |
| Donations | 257,268 | 0 | 257,268 |
| Inkind Contribution | 1,063,730 | 0 | 1,063,730 |
| Total Public Support | 1,440,347 | 0 | 1,440,347 |
| PROGRAM SERVICE REVENUE | | | |
| Programs Service Revenue | 140,592 | 0 | 140,592 |
| Total Program Service Revenue | 140,592 | 0 | 140,592 |
| **Total revenues and other support** | **1,580,939** | 0 | **1,580,939** |
| **EXPENSES** | | | |
| Program services | 1,470,240 | 0 | 1,470,240 |
| Supporting services: | | | |
| Management and general | 23,670 | 0 | 23,670 |
| Total support services | 23,670 | 0 | 23,670 |
| Total expenses | 1,493,910 | 0 | 1,493,910 |
| Change in net assets | 87,029 | 0 | 87,029 |
| **Net assets, beginning of year** | 55,812 | 0 | 55,812 |
| **Net assets, end of year** | **$142,841** | **$0** | **$142,841** |

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

**THE PET COMPASSION CENTERS**

**FUNCTIONAL EXPENSES**
**For The Year Ended December 31, 2024**

| Expenditures | Programs | Mgmt & General | Total |
|---|---|---|---|
| Advertisement | $0 | $97 | $97 |
| Depreciation | 8,480 | 0 | 8,480 |
| Insurance | 0 | 1,079 | 1,079 |
| Information Technology | 0 | 4,477 | 4,477 |
| Interest Expense | 0 | 8,413 | 8,413 |
| Legal | 0 | 890 | 890 |
| Other Expenses | 35,192 | 0 | 35,192 |
| Contracted Services | 154,157 | 0 | 154,157 |
| Office expense | 0 | 4,729 | 4,729 |
| Medicine | 93,708 | 0 | 93,708 |
| Occupancy | 15,000 | 0 | 15,000 |
| Transportation | 5,090 | 0 | 5,090 |
| Travel | 0 | 3,985 | 3,985 |
| Supplies - Pet | 82,201 | 0 | 82,201 |
| Telephone | 4,364 | 0 | 4,364 |
| Utility | 8,318 | 0 | 8,318 |
| Contributed Pet Supplies | 1,063,730 | 0 | 1,063,730 |
| **Total Expenditures** | **$1,470,240** | **$23,670** | **$1,493,910** |

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

**THE PET COMPASSION CENTERS**

**STATEMENT OF CASH FLOW**
**For The Year Ended December 31, 2024**

| | Total |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Change in net assets | $87,029 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Depreciation of Fixed Assets | 8,480 |
| Prior Period Adjustment | 109,615 |
| Inventory | (173,295) |
| Accounts Payable | 17,759 |
| Note Payable - current | 922 |
| **Net cash provided by operating activities** | **96,960** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Note Payable - Long Term | (12,400) |
| **Net cash used in financing activities** | **(12,400)** |
| **Net increase in cash and cash equivalents** | 84,560 |
| **Cash and cash equivalents, beginning of year** | 12,487 |
| **Cash and cash equivalents, end of year** | **$97,047** |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | |
| Cash paid for interest | $8,413 |

**THE PET COMPASSION CENTERS**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2024**

## 1. ORGANIZATION AND PURPOSE

The Pet Compassion Centers (PCC), formerly Kitty City, Inc., is a Tennessee nonprofit corporation incorporated on December 6, 2011. In November 2022, the Organization changed its name to The Pet Compassion Centers to reflect its evolution from a single-focus animal welfare program into a regional pet and human resource center serving the tri-state Mid-South area. The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The mission of The Pet Compassion Centers is to strengthen the human–pet bond by providing affordable, accessible veterinary care and essential pet resources to underserved communities. PCC operates as a regional veterinary and community resource organization serving the Mid-South and tri-state area, including municipal animal shelters.

During the year ended December 31, 2024, PCC successfully completed a multi-year pilot program focused on high-volume spay/neuter services, preventive veterinary care, and large-scale distribution of donated pet food and supplies. PCC performed over 18,000 spay/neuter surgeries, hundreds of lifesaving specialty surgeries, provided over 40,000 vaccines and distributed hundreds of thousands of pounds of pet food and supplies. This pilot program demonstrated strong operational performance, effective financial controls, and measurable community impact, including support for municipal animal shelters, Meals on Wheels programs, and nonprofit community partners. PCC has also been instrumental in the opening of two additional clinics in the past year.

As a result of the successful completion of this pilot phase, PCC is entering its next stage of organizational growth. The Organization is actively preparing to open a nonprofit veterinary clinic open to the public, designed to provide affordable veterinary services through a sliding-scale, ability-to-pay pricing structure. This model is focused on workforce development and intended to expand access to care for underserved pet-owning families while also increasing program service revenue to support long-term financial sustainability.

PCC’s services contribute to improved public health outcomes, reduced animal shelter intake and euthanasia, and decreased reliance on taxpayer-funded animal control and sheltering systems. Although classified as an animal welfare organization, PCC delivers significant human services benefits by helping families keep pets in their homes, supporting food-insecure households, and advancing One Health principles that recognize the interconnectedness of animal health, human health, and community well-being. PCC’s OJT participants have been hired by partner veterinary clinics, municipal animal shelters, Antec and St Jude Animal Husbandry, while others have gone on to college. These workforce development programs will be expanded in the years to come and used to create opportunities in our community and a starting point for future employees.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Presentation

Net assets and revenues, gains and losses are classified into two classes of net assets based on existence or absence of donor-imposed restrictions. The two classes of net asset categories are as follows:

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.

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 accompanying statements of activities.

### Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increase with donor restrictions in the period in which the contributions are recognized.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

### Inventory – Pet Food and Supplies

Inventory is for distribution to qualified organizations only and is not available for resale. The Organization receives contributed food and supplies for pets, which is recorded as public support, and food commodities. Contributed food and supplies is recorded based on the estimated wholesale value of the distributable food received by the Organization. See note 8.

### Use of Estimates

The Organization uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Capitalization and Depreciation Policy

Property and equipment additions over $500 are capitalized and are stated at cost for purchased items and fair market for donated items. Depreciation is provided using the straight-line method over five years. See note 6.

Functional Allocation of Expenses

The costs of providing The Pet Compassion Centers programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the various functions.

Fair Value Measurement

Under FASB ASC 820, Fair Value Measurements and Disclosures, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Organization has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities at December 31, 2024; therefore, no adjustment for the effect of FASB ASC 820 was made to the Organization's financial statements at December 31, 2024.

Income Taxes

The Organization is exempt from Federal income tax under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for Federal income tax is required.

The organization has filed its 2024 Federal income tax return on Form 990.

The Organization has no income tax returns under examination by the Internal Revenue Service. However, the Organization believes it is no longer subject to income tax examinations for years prior to 2021.

Donated Services

A substantial number of volunteers and have donated significant amounts of their time to the Organization’s fund-raising campaigns. The value of these services has not been reflected in the accompanying financial statements since the services do require specialized skills and meet the criteria for recognition under U.S. GAAP.

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Adopted Accounting Pronouncements

Revenue from Contract with Customers

Effective July 1, 2019, the Organization adopted Accounting Standards Update 2014-9, Revenue from Contracts with Customers (Topic 606). The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current recognition guidance, including industry-specific guidance. The core principle of the revenue recognition standard is that an entity recognizes revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The adoption of this update had no effect on the Organization's financial position and changes in net assets. See Revenue disclosure above.

3.CONTINGENCIES

In the normal course of business, The Pet Compassion Centers has received grants which are subject to audit by agents of the relevant funding authority, the purpose of which is to ensure compliance with conditions precedent to providing such funds. The board believes that all of the grant expenditures are properly recorded and that the liability, if any, for any reimbursement which may arise as the result of audits would not be significant.

4.NET ASSETS – WITH DONOR RESTRICTION

Net Assets with donor restrictions are subject to donor-imposed restrictions that may or will be met in the future, either, by actions of PCC or the passage of time. As of the date of this report, the Organization do not have any net assets with donor restrictions.

5.LIQUIDITY

The organization regularly monitors liquidity required to meet its operating needs and other contractual commitments.

For purposes of analyzing resources available to meet general expenditure over a 12-month period, the Organization considers all expenditures related to its ongoing program activities and services to support those activities to be general expenditures. The following table reflects the Organization's financial assets as of December 31, 2024 reduced by amounts that are not available to meet general expenditures withing one year of the statement of financial position date because of donor restrictions:

| | |
|---|---|
| Cash and Cash Equivalents | $97,047 |
| Less: Net assets with Donor Restrictions | (0) |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year | $97.047 |

6.PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2024 consisted of the following:

| | |
|---|---|
| Computer & Software | $59,371 |
| | 59,371 |
| Less Accumulated Depreciation | (42,406) |
| Total | $16,965 |

The depreciation expense for the year ended December 31, 2024 was $8,480.

7.NOTE PAYABLE

On December 31, 2020, the company was approved for $323,000 loan from the Small Business Administration (SBA) Economic Injury Disaster Loan (EIDL) as part of the Coronavirus Aid, Relief and Economic Securities Act (CARES Act). The loan is for term of 30 years, with an interest rate of 2.75%. Principal and interest payment of $1,404 to commence on July 6, 2022.

The principal payments for each year through maturity are as follows:

| YEAR | PRINCIPAL PAYMENT |
|---|---|
| 2025 | $8,254 |
| 2026 | 8,484 |
| 2027 | 8,720 |
| 2028 | 8,963 |
| 2029 | 9,212 |
| THEREAFTER | 272,381 |
| TOTAL | $316,014 |

For the current year ended, the Organization had $14,044 of loan payments, consisting of $5,631 of principal and $8,413 of interest.

8.CONTRIBUTED NONFINANCIAL ASSETS

The Organization received contributed nonfinancial assets consisting primarily of pet food and pet supplies during the year ended December 31, 2024. These assets are distributed to municipal shelters, nonprofit partners, and community members are not held for resale.

| | |
|---|---|
| Pet food and Supplies | $1,063,730 |
| | $1,063,730 |

8.CONTRIBUTED NONFINANCIAL ASSETS – (Continued)

Contributed pet food and pet supplies are valued using an estimated average wholesale value per pound based on nationally recognized valuation methodologies, including published data from Feeding America, For the year ended December 31, 2024, the average wholesale value used was $2,50 per pound.

The Organization recorded $1,063,730 in contributed nonfinancial assets during the year ended December 31, 2024, which is reflected as both contribution revenue and program expense in the accompanying financial statements. Contributed inventory on hand as of December 31, 2024, totaled $391,293.

9. LEASE

The Organization lease space on a yearly lease in the amount of $1,250 to renew for one year annually. The Landlord agrees to discount the lease payments during the year less the property taxes towards the purchase price.

For the year ended December 31, 2024, rent expense was $15,000.

10.PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2024, the Organization recorded a prior period adjustment of $109,615 related to corrections in the timing and valuation of previously recorded inventory and contributed nonfinancial assets. Management evaluated the adjustment and determined it was necessary to properly reflect the organization's financial position in accordance with generally accepted accounting principles. The adjustment had no impact on cash flows and does not affect the Organization’s ongoing operations.

11.DATE OF MANAGEMENT’S REVIEW

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through December 11, 2025, the date that the financial statements were available to be issued.