

Feline Rescue, Inc.

Financial Statements
Together with
Independent Auditors' Report

December 31, 2020

FELINE RESCUE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Feline Rescue, Inc.
Minneapolis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Feline Rescue, Inc. (a nonprofit Organization), which comprise the statement of financial position as of December 31, 2020, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Feline Rescue, Inc. as of December 31, 2020, 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.

Prior Period Financial Statements

The financial statements of Feline Rescue, Inc. as of December 31, 2019 were audited by other auditors whose report dated June 17, 2020, expressed an unmodified opinion on those statements.

Roseville, Minnesota
May 28, 2021

Olsen Thielens & Co., Ltd.

FELINE RESCUE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019**

ASSETS		
	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 475,563	\$ 209,076
Accounts Receivable	-	8,000
Prepaid Expenses	5,566	6,213
Investments (Note 2)	<u>552,532</u>	<u>273,376</u>
Total Current Assets	<u>1,033,661</u>	<u>496,665</u>
PROPERTY AND EQUIPMENT - NET (Note 3)	<u>1,007,290</u>	<u>1,075,922</u>
INVESTMENTS - LONG TERM (Note 2)	<u>894,174</u>	<u>775,142</u>
 TOTAL ASSETS	 <u>\$ 2,935,125</u>	 <u>\$ 2,347,729</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 7,779	\$ 15,750
Accrued Expenses	15,822	15,740
Line of Credit (Note 6)	-	50,076
Total Current Liabilities	<u>23,601</u>	<u>81,566</u>
NOTE PAYABLE (Note 7)	<u>76,000</u>	<u>-</u>
NET ASSETS:		
Without Donor Restrictons	1,866,959	1,483,021
With Donor Restrictions (Note 8)	<u>968,565</u>	<u>783,142</u>
Total Net Assets	<u>2,835,524</u>	<u>2,266,163</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,935,125</u>	 <u>\$ 2,347,729</u>

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

FELINE RESCUE, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:						
Adoption Income	\$ 63,044	\$ -	\$ 63,044	\$ 104,568	\$ -	\$ 104,568
Contribution Income	918,517	155,000	1,073,517	477,087	57,085	534,172
Grant Income	-	-	-		110,000	110,000
Self-Directed Fundraising Events (Net of \$1,578 and \$20,053 Direct Expenses)	15,731	-	15,731	11,475	-	11,475
Merchandise Sales, Net and Other Income	2,246	-	2,246	1,955	-	1,955
In-Kind Contributions	21,600	-	21,600	-	-	-
Investment Income (Net of \$11,135 and \$15,898 Investment Fees)	7,002	11,202	18,204	11	21,401	21,412
Realized and Unrealized Gains on Investments	25,689	87,830	113,519	65,428	107,715	173,143
Net Assets Released from Restrictions (Note 8)	68,609	(68,609)	-	194,648	(194,648)	-
Total Revenues and Support	<u>1,122,438</u>	<u>185,423</u>	<u>1,307,861</u>	<u>855,172</u>	<u>101,553</u>	<u>956,725</u>
EXPENSES:						
Program	529,550	-	529,550	655,742	-	655,742
Management and General	123,280	-	123,280	192,672	-	192,672
Fundraising	85,670	-	85,670	61,524	-	61,524
Total Expenses	<u>738,500</u>	<u>-</u>	<u>738,500</u>	<u>909,938</u>	<u>-</u>	<u>909,938</u>
CHANGE IN NET ASSETS	383,938	185,423	569,361	(54,766)	101,553	46,787
NET ASSETS at Beginning of Year	<u>1,483,021</u>	<u>783,142</u>	<u>2,266,163</u>	<u>1,537,787</u>	<u>681,589</u>	<u>2,219,376</u>
NET ASSETS at End of Year	<u>\$ 1,866,959</u>	<u>\$ 968,565</u>	<u>\$ 2,835,524</u>	<u>\$ 1,483,021</u>	<u>\$ 783,142</u>	<u>\$ 2,266,163</u>

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

FELINE RESCUE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020 AND 2019**

	2020						
	Foster	Program Outreach	Services Shelter	Total	Management and General	Fundraising	Grand Total
Wages and Benefits	\$ 184,147	\$ 3,611	\$ 32,496	\$ 220,254	\$ 68,605	\$ 72,214	\$ 361,073
Contracted Services	13,324	261	2,297	15,882	21,212	5,225	42,319
Cat Care	135,869	3,804	20,417	160,090	-	-	160,090
Facilities	19,550	-	19,480	39,030	8,881	-	47,911
Operations	2,000	-	2,062	4,062	23,701	9,809	37,572
Other	7,169	20,925	62,138	90,232	881	-	91,113
Total Expenses by Function	<u>362,059</u>	<u>28,601</u>	<u>138,890</u>	<u>529,550</u>	<u>123,280</u>	<u>87,248</u>	<u>740,078</u>
Less Expenses Included With Revenues on the Statement of Activities:							
Direct Fundraising Event Expenses	-	-	-	-	-	(1,578)	(1,578)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 362,059</u>	<u>\$ 28,601</u>	<u>\$ 138,890</u>	<u>\$ 529,550</u>	<u>\$ 123,280</u>	<u>\$ 85,670</u>	<u>\$ 738,500</u>
	2019						
	Foster	Program Outreach	Services Shelter	Total	Management and General	Fundraising	Grand Total
Wages and Benefits	\$ 126,868	\$ 2,749	\$ 179,665	\$ 309,282	\$ 77,321	\$ 42,956	\$ 429,559
Contracted Services	3,627	93	5,580	9,300	65,773	8,694	83,767
Cat Care	122,447	37,256	80,649	240,352	-	-	240,352
Facilities	10,624	10,624	15,421	36,669	16,945	-	53,614
Operations	5,209	4,959	6,735	16,903	12,614	29,927	59,444
Other	14,412	14,412	14,412	43,236	20,019	-	63,255
Total Expenses by Function	<u>283,187</u>	<u>70,093</u>	<u>302,462</u>	<u>655,742</u>	<u>192,672</u>	<u>81,577</u>	<u>929,991</u>
Less Expenses Included With Revenues on the Statement of Activities:							
Direct Fundraising Event Expenses	-	-	-	-	-	(20,053)	(20,053)
Total Expenses Included in the Expense Section on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 283,187</u>	<u>\$ 70,093</u>	<u>\$ 302,462</u>	<u>\$ 655,742</u>	<u>\$ 192,672</u>	<u>\$ 61,524</u>	<u>\$ 909,938</u>

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

FELINE RESCUE, INC.

STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 569,361	\$ 46,787
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
Contributions of Common Stock	-	(21,831)
Contributions Received for Long Term Purposes	-	(120)
Realized and Unrealized Gains on Investments	(113,519)	(173,143)
Depreciation	68,632	60,897
Changes in Assets and Liabilities:		
Accounts Receivable	8,000	(8,000)
Prepaid Expenses	647	1,428
Accounts Payable	(7,971)	(2,779)
Accrued Expenses	82	5,870
Sales Tax Payable	-	826
Net Cash Flows From Operating Activities	<u>525,232</u>	<u>(90,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	613,811	324,165
Purchase of Investments	(898,480)	(61,909)
Purchase of Property and Equipment	-	(149,866)
Net Cash Flows From Investing Activities	<u>(284,669)</u>	<u>112,390</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions Received for Long Term Purposes	-	120
Proceeds from Line of Credit	-	50,076
Payments on Line of Credit	(50,076)	-
Proceeds from Note Payable	76,000	-
Net Cash Flows From Financing Activities	<u>25,924</u>	<u>50,196</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	266,487	72,521
CASH AND CASH EQUIVALENTS at Beginning of Year	<u>209,076</u>	<u>136,555</u>
CASH AND CASH EQUIVALENTS at End of Year	<u>\$ 475,563</u>	<u>\$ 209,076</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid During Year For Interest	<u>\$ 881</u>	<u>\$ 2,316</u>

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

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Feline Rescue, Inc. (The Organization) is a Minnesota-based, limited-admission companion cat rescue organization. The Organization was founded in 1997 in Minneapolis, Minnesota, as a 501 (c)(3) non-profit organization. Feline Rescue, Inc., is funded through adoption fees, donations, and grants, and receives no municipal or state funding.

The Organization's mission is to provide safe shelter, veterinary care, and socialization for stray, abandoned, or abused cats until good permanent homes can be found for them. In addition, the Organization promotes positive community interaction through education, spay/neuter programs, and other activities that enable people to responsibly enjoy the companionship of cats.

Basis of Presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues, expenses, gains and losses, and net assets are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and related changes are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets without donor restrictions are resources available to support operations which the Board of Directors has discretionary control. Designated amounts represent those net assets which the Board has set aside for a particular purpose.

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.

Accounting Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In preparing these financial statements, the Organization has evaluated for recognition or disclosure the events or transactions that occurred through May 28, 2021, the date the financial statements were available to be issued. Except as discussed in Note 10, there were no subsequent events that required recognition or disclosure in the financial statements.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash Equivalents

The Organization considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents. Cash equivalents are stated at cost, which approximates market value.

Grants Receivable

Grants receivable consists of unconditional promises to give and are recognized as revenue in the period made. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted using present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history.

Property Equipment and Depreciation

Property and equipment are carried at cost or, if donated, at the approximated fair value at the date of donation. Additions, improvements or major renewals exceeding \$5,000 are capitalized. If items of property are sold, retired or otherwise disposed of, they are removed from the asset and accumulated depreciation accounts and any gain or loss thereon is reflected in the statement of activities.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets:

Buildings and Improvements	10 - 39 years
Shelter Furniture and Equipment	10 Years
Office Furniture and Equipment	5 Years
Veterinary Equipment	2 - 7 Years

Depreciation expense for the year ended December 31, 2020 and 2019 was \$68,632 and \$60,897.

Investments

Investments in marketable securities are stated at fair value, which is determined by quoted market prices in active markets. Realized and unrealized gains and losses are included in the statement of activities. Realized gains and losses are determined using the specific identification method. Interest and dividend income are reported as income when earned.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The significant sources of revenue and support for the Organization are displayed as follows:

Adoption Revenue

The Organization recognizes revenue from cat adoptions at the time the animal is transferred to the adopter. After this transaction has taken place, the Organization has no continued obligation to the cat or its adopter, unless the cat is returned. Approximately 5% of all cats adopted from the Organization are returned, at which time the cost of the cat's care reverts to the Organization until a forever home is found for the animal. Future costs related to returned cats are not practicably estimable, and therefore are not recorded in the attached financial statements.

Event Revenue

The Organization records special event revenue equal to fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Contribution Revenue

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor imposed contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

There are no significant contract assets or liabilities recognized on the financial statements under the new standard.

In-Kind Contributions

The Organization records in-kind contributions at fair market value on the date of donation. In-kind contributions relate primarily to cat food. In-Kind contributions of \$21,600 and \$0 were received for the years ending December 31, 2020 and 2019.

Functional Allocation of Expenses

Expenses are specifically identified with, or allocated to, program-related and administrative functions. Expense allocations are generally computed based on the amount of time spent by employees performing those functions. Other expenses, not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is classified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is subject to federal and state income tax only on net unrelated business income.

The Organization reviews income tax positions taken or expected to be taken in income tax returns to determine if there are any income tax uncertainties. This includes positions that the entity is exempt from income taxes or not subject to income taxes on unrelated business income. The Organization recognizes tax benefits from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by taxing authorities. The Organization has identified no income tax uncertainties. The Organization files information returns as a tax-exempt Organization. Should that status be challenged in the future, all years since inception could be subject to review by the IRS.

Retirement Plan

During 2020, the Organization adopted a 403(b) deferred compensation plan for all employees. Employees may elect to contribute a portion of their salaries up to IRS limitations. The Organization will make a discretionary matching contribution equal to a uniform percentage or dollar amount of the employee's deferrals. The Organization's expense for the plan was \$11,260 and \$0 in 2020 and 2019.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$2,984 and \$13,686 for 2020 and 2019, respectively.

Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions and, by policy, generally limits the amount of credit exposure to any one financial institution. As of December 31, 2020, the Organization had no credit risk concentration.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

Under generally accepted accounting principles as outlined in the Financial Accounting Standards Board's *Accounting Standards Codification* (ASC) 820, fair value is 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. The accounting standard ASC 820 establishes a three-level fair value hierarchy that prioritizes information used in developing assumptions when pricing an asset or liability as follows:

Level 1 - Observable inputs such as quoted prices in active markets;

Level 2 - Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and,

Level 3 - Unobservable inputs where there is little or no market data, which requires the reporting entity to develop its own assumptions.

The Organization uses observable market data, when available, in making fair value measurements. Fair value measurements are classified according to the lowest level input that is significant to the valuation.

The Organization holds certain assets that are required to be measured at fair value on a recurring basis. The fair value of the Organization's investment securities were determined based on inputs as presented in Note 2.

Endowments

The Organization follows the provisions of the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA). This provides guidance on the classification of endowment net assets and enhances disclosure for endowment funds. Under UPMIFA all unappropriated endowment funds are considered net assets with donor restrictions.

Risks and Uncertainties

In March 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The Organization cannot reasonably estimate the length or severity of this pandemic, or the extent to which the disruption from this pandemic may impact our future events, ability to fundraise, investment portfolio, internal operations, and ultimately the Organization's financial statements.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods reported. These reclassifications had no effect on the previously reported net assets.

FELINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2020 and 2019, and consisted of the following:

	<u>2020</u>	<u>2019</u>
Mutual Funds		
Fixed Income	\$ 701,521	\$ 400,048
Equities	729,052	631,614
Enowment Cash	<u>16,133</u>	<u>16,856</u>
Investments Reported at Fair Value	<u>\$ 1,446,706</u>	<u>\$ 1,048,518</u>

Investments accounts were held as follows as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating Investments	\$ 826,451	\$ 294,478
Less: Cash Equivalents	<u>(273,919)</u>	<u>(21,102)</u>
Current Operating Investments	552,532	273,376
Endowments - Long-Term	<u>894,174</u>	<u>775,142</u>
Total	<u>\$ 1,446,706</u>	<u>\$ 1,048,518</u>

The fair value of the Organization's mutual funds and equity securities are determined by reference to quoted market prices and other relevant information generated by market transactions. These investments are classified within Level 1 of the valuation hierarchy.

The Organization holds investments in a variety of investment funds. In general, its investments are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and such changes could be material to the amounts reported in the statement of financial position.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment included the following as of December 31,:

	<u>2020</u>	<u>2019</u>
Buildings and Improvements	\$ 1,271,686	\$ 1,271,686
Shelter Furniture and Equipment	147,492	147,492
Office Furniture and Equipment	18,334	18,334
Veterinary Equipment	<u>49,615</u>	<u>49,615</u>
Total	1,487,127	1,487,127
Less Accumulated Depreciation	<u>479,837</u>	<u>411,205</u>
Total	<u>\$ 1,007,290</u>	<u>\$ 1,075,922</u>

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 475,563	\$ 209,076
Accounts Receivable	-	8,000
Current Operating Investments	<u>552,532</u>	<u>273,376</u>
Less: Amounts in these accounts with donor restrictions	<u>(74,391)</u>	<u>(8,000)</u>
Amounts Available for General Expenditure within One Year	<u>\$ 953,704</u>	<u>\$ 482,452</u>

The Organization's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowment is restricted for specific purposes, with the exception of amounts available for general use. Donor-restricted endowment funds are not available for general purposes and are not included above.

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements. At December 31, 2020, the Organization had \$552,532 of operating investments that could be converted to cash if necessary. At December 31, 2020, all operating investments of the Organization are considered available for unrestricted use within the next year.

NOTE 5 - ENDOWMENTS

The Organization's endowment consists of three donor-restricted funds. Donor-restricted endowment funds are further divided into those that provide a perpetual source of support for the Organization's activities (perpetual endowments) and those that are restricted by donors for investment for a specified term (term endowments). As required by generally accepted accounting principles, net assets associated with the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Organization has interpreted the Minnesota Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the prudent expenditure of donor-restricted endowment funds. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate, an organization shall act in good faith with the care that a prudent person would exercise. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (perpetual endowments) (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as perpetual endowments is classified as term endowments until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENTS (Continued)

The Organization considers an endowment fund to be underwater if the fair value of the fund is less than the sum of (1) the original value of initial and subsequent gifts donated to the fund and (2) any accumulations to the fund that are required to be maintained in perpetuity in accordance with applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. There are no funds currently underwater.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund.
- (2) The purpose of the Organization and the donor-restricted endowment fund.
- (3) General economic conditions.
- (4) The possible effect of inflation and deflation.
- (5) The expected total return from income and the appreciation of investments.
- (6) Other resources of the Organization.
- (7) The investment policies of the Organization.

Endowment net asset composition by type of fund as of December 31, is as follows:

	<u>2020</u>	<u>2019</u>
	<u>With Donor Restrictions</u>	<u>With Donor Restrictions</u>
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Amounts Required to be Maintained in Perpetuity by Donor	\$ 690,543	\$ 670,543
Accumulated Investment Gains (Losses)	<u>203,631</u>	<u>104,599</u>
Total	<u>\$ 894,174</u>	<u>\$ 775,142</u>

During 2019, the Organization used unrestricted funds to replenish \$20,000 of accumulated investment gains on donor-restricted endowment funds, which had been appropriated the year ended December 31, 2018.

The Organization has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. This is accomplished through a strategic plan that strives to maintain and grow the investment corpus and provide annual earnings to support the Organization's mission. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that preserve the inflation-adjusted value of the fund and maximize total return within reasonable and prudent levels of risk. The Organization targets a diversified asset allocation plan, sets performance benchmarks and has established various asset quality and limitation thresholds.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - ENDOWMENTS (Continued)

The Organization maintains three separate endowment accounts, which have the following investment and spending objectives and policies:

Sanders Endowment - Objective: Growth - Equity Investments range from 55% to 75% and Fixed Income and Cash range from 45% to 25%. This account is invested for the long term growth of principal, while providing an ongoing revenue stream. The investment committee will monitor the account's dividends, income and overall investment return on a quarterly basis to ensure the investment goals are achieved. The Finance Committee determines if proceeds from this fund will be used for the operating budget.

Sharon K. Warner Endowment - Objective: Growth - Equity Investments range from 55% to 75% and Fixed Income and Cash range from 45% to 25%. This account is invested for the long term growth of principal, while providing an ongoing revenue stream. The investment committee will monitor the account's dividends, income and overall investment return on a quarterly basis to ensure the investment goals are achieved. The Finance Committee determines if proceeds from this fund will be used for cat care expenses that greatly exceed the projected costs in the annual budget.

10th Life Endowment - Objective: Aggressive Growth - Equity Investments range from 75 to 95% and Fixed Income and Cash range from 25% to 5 %. This account is invested for the long term growth of principal. The investment committee will monitor the account's dividends, income and overall investment return on a quarterly basis to ensure the investment goals are achieved. The Finance Committee determines if proceeds from this fund will be used for the operating budget.

The Finance Committee annually reviews and recommends to the Board of Directors the amount to be distributed from endowment assets for the next year.

Changes in endowment net assets for the years ended December 31, 2020 and 2019 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, December 31, 2018	\$ 625,906
Investment Income	129,116
Contributions	120
Replenishment of Endowment Assets	<u>20,000</u>
Endowment Net Assets, December 31, 2019	775,142
Investment Income	99,032
Contributions	<u>20,000</u>
Endowment Net Assets, December 31, 2020	<u>\$ 894,174</u>

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 6 - LINE OF CREDIT

In 2019, the Organization entered into a line of credit agreement with its Bank. The Line of Credit began on February 4, 2019, was renewed in May 2020 and matured May 8, 2021. The agreement will not be renewed after May 8, 2021. The agreement stated the Organization to borrow up to \$100,000 at 0.25 percentage points over the prevailing prime interest rate. The rate when renewed was 3.25% per annum. The note was secured by all assets of the Organization. No balance was outstanding on this loan as of December 31, 2020. The Organization had an outstanding balance as of \$50,076 on the line of credit at December 31, 2019.

NOTE 7 - PPP LOAN

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Paycheck Protection Program (PPP) which allowed for organizations to apply for a potentially forgivable loan if the proceeds were used for the specified purposes. In April 2020, the Organization received a \$76,000 loan from the PPP program and expects to use it for the designated purposes.

In June 2020, the Payroll Protection Program Flexibility Act of 2020 was signed which amended certain terms of the loan program. If all or a portion of the loan is not forgiven, the Organization will be liable to repay the loan in either 24 or 60 monthly installments after an initial deferment period at an interest rate of 1.00%. The covered period will expire October 2020 and repayment could be deferred until July 2021. This note is currently presented as a long-term liability on the statement of financial position as of December 31, 2020.

NOTE 8 - NET ASSETS

Net assets with donor restrictions consist of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Promises to Give:		
Neonatal Program	\$ -	\$ 8,000
	<u>\$ -</u>	<u>\$ 8,000</u>
Net Assets With Donor Restrictions:		
Available for General Use	\$ 149,083	\$ 73,353
Purpose Restrictions	74,391	-
Medical Miracle Fund	54,548	31,246
Sanders Endowment	458,138	453,138
Warner Endowment	161,931	146,931
10th Life Endowment	70,474	70,474
Total With Donor Restrictions	<u>\$ 968,565</u>	<u>\$ 775,142</u>

Net assets with donor restrictions released from restriction were \$68,609 and \$194,648 in 2020 and 2019. Net assets with donor restrictions were released from restriction due to satisfaction of program restrictions.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - CONCENTRATIONS

The Organization derived 35% of its revenues from two donors for the year ended December 31, 2020 and 11% from a single donor for the year ended December 31, 2019.

NOTE 10 - SUBSEQUENT EVENTS

In December 2020, the Consolidated Appropriations Act (CAA) was signed into law, which amended and enhanced some terms of the Paycheck Protection Program (PPP). Eligibility requirements were expanded to include more types of entities as well as providing existing PPP loan borrowers an opportunity to apply for a second PPP loan if they met the stated eligibility requirements. The Organization applied for a second PPP loan and in January 2021, the Organization received a \$76,070 loan from the PPP and expects to use it for the designated purposes, which could allow for loan forgiveness.