

Feline Rescue, Inc.

Financial Statements Together with Independent Auditors' Report

December 31, 2021 and 2020

FELINE RESCUE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Feline Rescue, Inc.
St. Paul, Minnesota

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In 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, 2021 and 2020, 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 audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Feline Rescue, Inc. 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 Feline Rescue, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibility

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 auditors' 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, including omissions, 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 Feline Rescue, 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 Feline Rescue, 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.

Olsen Thielen & Co., Ltd

Eden Prairie, Minnesota
July 21, 2022

FELINE RESCUE, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

ASSETS		
	2021	2020
CURRENT ASSETS:		
Cash and Cash Equivalents	\$ 1,015,652	\$ 491,696
Employee Retention Credit Receivable	41,181	-
Prepaid Expenses	7,644	5,566
Board Designated Investments (Note 2 and Note 8)	391,270	552,532
Total Current Assets	1,455,747	1,049,794
PROPERTY AND EQUIPMENT - NET (Note 3)	976,233	1,007,290
ENDOWMENT INVESTMENTS (Note 2 and Note 5)	944,237	878,041
TOTAL ASSETS	\$ 3,376,217	\$ 2,935,125
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts Payable	\$ 18,261	\$ 7,779
Accrued Expenses	25,740	15,822
Total Current Liabilities	44,001	23,601
NOTE PAYABLE (Note 7)	-	76,000
NET ASSETS:		
Without Donor Restrictons:		
Undesignated	1,616,459	1,866,959
Designated Reserves (Note 8)	720,503	-
Total Net Assets Without Donor Restrictions	2,336,962	1,866,959
With Donor Restrictions (Note 9)	995,254	968,565
Total Net Assets	3,332,216	2,835,524
TOTAL LIABILITIES AND NET ASSETS	\$ 3,376,217	\$ 2,935,125

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

FELINE RESCUE, INC.
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:						
Adoption Income	\$ 73,828	\$ –	\$ 73,828	\$ 63,044	\$ –	\$ 63,044
Contribution Income	830,789	45,000	875,789	918,517	155,000	1,073,517
Grant Income	2,000		2,000	–	–	–
Self-Directed Fundraising Events (Net of \$0 and \$1,578 Direct Expenses)	–	–	–	15,731	–	15,731
Merchandise Sales, Net and Other Income	1,905	–	1,905	2,246	–	2,246
PPP Loan Forgiveness Income	152,070	–	152,070	–	–	–
Employee Retention Credit	41,181	–	41,181	–	–	–
Ramsey County Government Funding	15,000	–	15,000	–	–	–
In-Kind Contributions	–	–	–	21,600	–	21,600
Investment Income (Net of \$16,745 and \$11,135 Investment Fees)	18,373	22,687	41,060	7,002	11,202	18,204
Realized and Unrealized Gains on Investments	16,401	78,393	94,794	25,689	87,830	113,519
Net Assets Released from Restrictions (Note 9)	119,391	(119,391)	–	68,609	(68,609)	–
Total Revenues and Support	<u>1,270,938</u>	<u>26,689</u>	<u>1,297,627</u>	<u>1,122,438</u>	<u>185,423</u>	<u>1,307,861</u>
EXPENSES:						
Program	472,021	–	472,021	529,550	–	529,550
Management and General	275,693	–	275,693	123,280	–	123,280
Fundraising	53,221	–	53,221	85,670	–	85,670
Total Expenses	<u>800,935</u>	<u>–</u>	<u>800,935</u>	<u>738,500</u>	<u>–</u>	<u>738,500</u>
CHANGE IN NET ASSETS	470,003	26,689	496,692	383,938	185,423	569,361
NET ASSETS at Beginning 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>
NET ASSETS at End of Year	<u>\$ 2,336,962</u>	<u>\$ 995,254</u>	<u>\$ 3,332,216</u>	<u>\$ 1,866,959</u>	<u>\$ 968,565</u>	<u>\$ 2,835,524</u>

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

FELINE RESCUE, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021 AND 2020**

	2021						Grand Total
	Foster	Program Outreach	Services Shelter	Total	Management and General	Fundraising	
Wages and Benefits	\$ 159,278	\$ 3,049	\$ 113,480	\$ 275,807	\$ 106,970	\$ 40,962	423,739
Contracted Services	1,404	-	1,041	2,445	59,099	-	61,544
Cat Care	117,549	4,933	23,811	146,293	360	-	146,653
Facilities	11,384	-	12,560	23,944	29,084	-	53,028
Operations	1,673	2,323	4,312	8,308	24,911	12,259	45,478
Other	7,096	-	8,128	15,224	55,269	-	70,493
Total Expenses by Function	<u>298,384</u>	<u>10,305</u>	<u>163,332</u>	<u>472,021</u>	<u>275,693</u>	<u>53,221</u>	<u>800,935</u>
Less Expenses Included With Revenues on the Statement of Activities:							
Direct Fundraising Event Expenses	-	-	-	-	-	-	-
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>\$ 298,384</u>	<u>\$ 10,305</u>	<u>\$ 163,332</u>	<u>\$ 472,021</u>	<u>\$ 275,693</u>	<u>\$ 53,221</u>	<u>\$ 800,935</u>
	2020						Grand Total
	Foster	Program Outreach	Services Shelter	Total	Management and General	Fundraising	
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>

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

FELINE RESCUE, INC.

STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 496,692	\$ 569,361
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
PPP Loan Forgiveness	(152,070)	–
Realized and Unrealized Gains on Investments	(94,794)	(113,519)
Depreciation	70,493	68,632
Changes in Assets and Liabilities:		
Employee Retention Credit Receivable	(41,181)	–
Accounts Receivable	–	8,000
Prepaid Expenses	(2,078)	647
Accounts Payable	10,482	(7,971)
Accrued Expenses	9,918	82
Net Cash Flows From Operating Activities	297,462	525,232
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	1,983,456	613,811
Purchase of Investments	(1,793,596)	(882,347)
Purchase of Property and Equipment	(39,436)	–
Net Cash Flows From (Used in) Investing Activities	150,424	(268,536)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on Line of Credit	–	(50,076)
Proceeds from Issuance of Note Payable	76,070	76,000
Net Cash Flows From (Used in) Financing Activities	76,070	25,924
NET CHANGE IN CASH AND CASH EQUIVALENTS	523,956	282,620
CASH AND CASH EQUIVALENTS at Beginning of Year	491,696	209,076
CASH AND CASH EQUIVALENTS at End of Year	\$ 1,015,652	\$ 491,696
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash Paid During Year For Interest	\$ –	\$ 881

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 primarily through adoption fees, donations, and grants.

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 July 21, 2022, the date the financial statements were available to be issued.

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.

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	5 - 10 Years
Office Furniture and Equipment	3 - 5 Years
Veterinary Equipment	2 - 7 Years

Depreciation expense for the year ended December 31, 2021 and 2020 was \$70,493 and \$68,632.

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.

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.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

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 \$0 and \$21,600 were received for the year ending December 31, 2021.

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.

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.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$13,260 and \$11,260 in 2021 and 2020.

Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$4,062 and \$2,984 for December 31, 2021 and 2020, 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, 2021, the Organization had no credit risk concentration.

Recently Issued Accounting Pronouncements

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. This ASU is effective for fiscal years beginning after December 15, 2021 and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. It is to be adopted using the modified retrospective approach. As it will be effective for the year ending December 31, 2021. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The new guidance increases the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. This ASU is effective for fiscal years beginning after June 15, 2021 and interim periods within fiscal years beginning after June, 2022, with early adoption permitted. The Organization is currently evaluating this guidance to determine the impact it may have on its financial statements.

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 amounts in the 2020 financial statements and notes have been reclassified to conform with the 2021 presentation. These reclassifications had no effect on net assets for either period.

FELINE RESCUE, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2021 and 2020, and consisted of the following:

	<u>2021</u>	<u>2020</u>
Mutual Funds		
Fixed Income	\$ 929,238	\$ 701,521
Equities	406,269	729,052
Investments Reported at Fair Value	<u>\$ 1,335,507</u>	<u>\$ 1,430,573</u>

Investments accounts were held as follows as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment Accounts	\$ 2,086,948	\$ 1,720,625
Less: Cash Equivalents	(751,441)	(290,052)
Total Investments	<u>1,335,507</u>	<u>1,430,573</u>
Board Designated Investments	391,270	552,532
Endowment Investments	<u>944,237</u>	<u>878,041</u>
Total	<u>\$ 1,335,507</u>	<u>\$ 1,430,573</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>2021</u>	<u>2020</u>
Buildings and Improvements	\$ 1,287,270	\$ 1,271,686
Shelter Furniture and Equipment	155,432	147,492
Office Furniture and Equipment	28,804	18,334
Veterinary Equipment	55,057	49,615
Total	<u>1,526,563</u>	<u>1,487,127</u>
Less Accumulated Depreciation	<u>550,330</u>	<u>479,837</u>
Total	<u>\$ 976,233</u>	<u>\$ 1,007,290</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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 1,015,652	\$ 491,696
Accounts Receivable	41,181	-
Board Designated Investments	391,270	552,532
Less: Amounts in these accounts with donor restrictions	<u>-</u>	<u>(74,391)</u>
Amounts Available for General Expenditure within One Year	<u>\$ 1,448,103</u>	<u>\$ 969,837</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, 2021, the Organization had \$391,270 of operating investments that could be converted to cash if necessary. At December 31, 2021, 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>2021</u>	<u>2020</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	\$ 690,543
Accumulated Investment Gains (Losses)	<u>304,711</u>	<u>203,631</u>
Total	<u>\$ 995,254</u>	<u>\$ 894,174</u>

The Organization has adopted an investment policy and philosophy that concentrates on maximizing total return within reasonable risk parameters. This is accomplished through an investment policy 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.

The Endowments are classified as the following on the Statement of Financial Position:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 51,017	\$ 16,133
Endowment Investments	<u>944,237</u>	<u>878,041</u>
Total	<u>\$ 995,254</u>	<u>\$ 894,174</u>

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, 2021 and 2020 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, December 31, 2019	\$ 775,142
Investment Income	99,032
Contributions	<u>20,000</u>
Endowment Net Assets, December 31, 2020	894,174
Investment Income	<u>101,080</u>
Endowment Net Assets, December 31, 2021	<u>\$ 995,254</u>

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 was not renewed after May 8, 2021. The agreement allowed 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.

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

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 PPP loan for \$76,000. The Organization used all of the proceeds from the note for the designated purposes. On July 26, 2021, the Organization received a forgiveness letter from the SBA for the full amount. The loan forgiveness is recorded as PPP Loan Forgiveness Income in the Statement of Activities in the current period.

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. In January 2021, the Organization received a \$76,070 loan from the PPP program and used it for the designated purposes. On October 5, 2021, the Organization received a forgiveness letter from the SBA for the full amount. The loan forgiveness was recorded as PPP Loan Forgiveness Income on forgiveness of debt in the Statement of Activities in the current period.

NOTE 8 - DESIGNATED NET ASSETS

In 2021, the Organization set up the following board designated reserves:

Operating Reserve for Variances in Recurring Revenue – To be used for variances in recurring revenues.

Operating Reserve for Variances in Non-Recurring Revenue – To be used for variances in non-recurring revenues.

Medical – To be used for veterinary and medical care.

These reserves are funded as follows at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating - Recurring Revenues	\$ 450,000	\$ –
Operating - Non-Recurring Revenues	255,126	–
Medical	15,377	–
Total	<u>\$ 720,503</u>	<u>\$ –</u>

These reserve assets are classified as follows on the statement of financial position as of December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 700,424	\$ –
Board Designated Investments	20,079	–
Total	<u>\$ 720,503</u>	<u>\$ –</u>

FELINE RESCUE, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following Endowment Funds (Note 5) at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Net Assets With Donor Restrictions:		
Sanders Endowment	\$ 644,203	\$ 582,224
Warner Endowment	240,209	216,479
10th Life Endowment	<u>110,842</u>	<u>95,471</u>
Total With Donor Restrictions	<u>\$ 995,254</u>	<u>\$ 894,174</u>

Net assets with donor restrictions released from restriction were \$119,391 and \$68,609 in 2021 and 2020. Net assets with donor restrictions were released from restriction due to satisfaction of program restrictions.

NOTE 10 - CONCENTRATIONS

The Organization derived 47% of its revenues from two donors for the year ended December 31, 2021 and 35% from two donors for the year ended December 31, 2020.

NOTE 11 - EMPLOYEE RETENTION CREDIT

In March 2020, the Coronavirus Aid, Relief and Economic Security (CARES) Act was signed into law. Part of CARES was the Employee Retention Credit which allows qualified organizations a credit, calculated as 50% of employee wages up to \$10,000 per employee which was withheld from payroll taxes due. The Organization utilized this program in the year ended December 31, 2021. The Organization qualified and applied for a total credit to be received in a lump sum refund of \$41,181, which has been reflected as a receivable on the statement of financial position at December 31, 2021.