

# Feline Rescue, Inc.

## Financial Statements Together with Independent Auditors' Report

December 31, 2022

# 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, 2022 and 2021, 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, 2022 and 2021, 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.

Eden Prairie, Minnesota  
October 24, 2023

*Olsen Thielen & Co., Ltd*

**FELINE RESCUE, INC.**

**STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021**

ASSETS		
	2022	2021
<b>CURRENT ASSETS:</b>		
Cash and Cash Equivalents	\$ 247,980	\$ 1,015,652
Employee Retention Credit Receivable	-	41,181
Prepaid Expenses	14,496	7,644
Board Designated Investments (Note 2 and Note 7)	710,753	391,270
Total Current Assets	973,229	1,455,747
PROPERTY AND EQUIPMENT - NET (Note 3)	933,625	976,233
ENDOWMENT INVESTMENTS (Note 2 and Note 5)	795,098	944,237
TOTAL ASSETS	\$ 2,701,952	\$ 3,376,217
LIABILITIES AND NET ASSETS		
<b>CURRENT LIABILITIES:</b>		
Accounts Payable	\$ 25,025	\$ 18,261
Accrued Expenses	30,203	25,740
Total Current Liabilities	55,228	44,001
<b>NET ASSETS:</b>		
Without Donor Restrictions:		
Undesignated	1,301,777	1,616,459
Designated Reserves (Note 7)	506,479	720,503
Total Net Assets Without Donor Restrictions	1,808,256	2,336,962
With Donor Restrictions (Note 8)	838,468	995,254
Total Net Assets	2,646,724	3,332,216
TOTAL LIABILITIES AND NET ASSETS	\$ 2,701,952	\$ 3,376,217

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

**FELINE RESCUE, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT:						
Adoption Income	\$ 128,490	\$ -	\$ 128,490	\$ 73,828	\$ -	\$ 73,828
Contribution Income	498,635	35,000	533,635	830,789	45,000	875,789
Grant Income	2,000	-	2,000	2,000	-	2,000
Merchandise Sales, Net and Other Income	4,448	-	4,448	1,905	-	1,905
PPP Loan Forgiveness Income	-	-	-	152,070	-	152,070
Employee Retention Credit	-	-	-	41,181	-	41,181
Ramsey County Government Funding	-	-	-	15,000	-	15,000
Investment Income						
(Net of \$18,212 and \$16,745 Investment Fees)	37,894	24,052	61,946	18,373	22,687	41,060
Realized and Unrealized Gains (Loss) on Investments	(288,992)	(88,838)	(377,830)	16,401	78,393	94,794
Net Assets Released from Restrictions (Note 8)	127,000	(127,000)	-	119,391	(119,391)	-
Total Revenues and Support	<u>509,475</u>	<u>(156,786)</u>	<u>352,689</u>	<u>1,270,938</u>	<u>26,689</u>	<u>1,297,627</u>
EXPENSES:						
Program	688,782	-	688,782	472,021	-	472,021
Management and General	275,200	-	275,200	275,693	-	275,693
Fundraising	74,199	-	74,199	53,221	-	53,221
Total Expenses	<u>1,038,181</u>	<u>-</u>	<u>1,038,181</u>	<u>800,935</u>	<u>-</u>	<u>800,935</u>
CHANGE IN NET ASSETS	(528,706)	(156,786)	(685,492)	470,003	26,689	496,692
NET ASSETS at Beginning 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>
NET ASSETS at End of Year	<u>\$ 1,808,256</u>	<u>\$ 838,468</u>	<u>\$ 2,646,724</u>	<u>\$ 2,336,962</u>	<u>\$ 995,254</u>	<u>\$ 3,332,216</u>

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

**FELINE RESCUE, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2022 AND 2021**

	2022						
	Program Services				Management and General	Fundraising	Grand Total
	Foster	Outreach	Shelter	Total			
Wages and Benefits	\$ 117,539	\$ 7,842	\$ 214,752	\$ 340,133	\$ 68,319	\$ 71,901	480,353
Contracted Services	1,567	-	-	1,567	64,485	-	66,052
Cat Care	147,367	13,604	117,277	278,248	-	-	278,248
Facilities	22,986	-	21,781	44,767	26,579	-	71,346
Operations	2,518	-	5,121	7,639	56,360	2,298	66,297
Other	5,822	1,825	8,781	16,428	59,457	-	75,885
<b>Total Expenses by Function</b>	<b><u>\$ 297,799</u></b>	<b><u>\$ 23,271</u></b>	<b><u>\$ 367,712</u></b>	<b><u>\$ 688,782</u></b>	<b><u>\$ 275,200</u></b>	<b><u>\$ 74,199</u></b>	<b><u>\$ 1,038,181</u></b>
	2021						
	Program Services				Management and General	Fundraising	Grand Total
	Foster	Outreach	Shelter	Total			
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
<b>Total Expenses by Function</b>	<b><u>\$ 298,384</u></b>	<b><u>\$ 10,305</u></b>	<b><u>\$ 163,332</u></b>	<b><u>\$ 472,021</u></b>	<b><u>\$ 275,693</u></b>	<b><u>\$ 53,221</u></b>	<b><u>\$ 800,935</u></b>

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

## FELINE RESCUE, INC.

### STATEMENT OF CASH FLOWS YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (685,492)	\$ 496,692
Adjustments to Reconcile Change in Net Assets to Net Cash Flows From Operating Activities:		
PPP Loan Forgiveness	-	(152,070)
Realized and Unrealized (Gains) Loss on Investments	377,830	(94,794)
Depreciation	74,060	70,493
Changes in Assets and Liabilities:		
Employee Retention Credit Receivable	41,181	(41,181)
Prepaid Expenses	(6,852)	(2,078)
Accounts Payable	6,764	10,482
Accrued Expenses	4,463	9,918
Net Cash Flows From (Used in) Operating Activities	(188,046)	297,462
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investments	191,495	1,983,456
Purchase of Investments	(739,669)	(1,793,596)
Purchase of Property and Equipment	(31,452)	(39,436)
Net Cash Flows From (Used in) Investing Activities	(579,626)	150,424
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Issuance of Note Payable	-	76,070
Net Cash Flows From Financing Activities	-	76,070
NET CHANGE IN CASH AND CASH EQUIVALENTS	(767,672)	523,956
CASH AND CASH EQUIVALENTS at Beginning of Year	1,015,652	491,696
CASH AND CASH EQUIVALENTS at End of Year	\$ 247,980	\$ 1,015,652

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

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### 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 October 24, 2023, the date the financial statements were available to be issued.

#### 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.

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2022 and 2021 was \$74,060 and \$70,493.

#### 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.

##### 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.

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Revenue Recognition (Continued)

##### Contribution Revenue (Continued)

As a practical expedient, the Organization groups similar contracts or similar performance obligations together into portfolios of contracts if doing so does not result in a significant difference from applying the accounting standard to the individual contracts.

The Organization's revenues disaggregated by the timing of such revenue recognized during the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Point in Time	\$ 132,938	\$ 75,733
Revenue Not Subject to ASC 606	<u>535,635</u>	<u>1,086,040</u>
Ending Balance	<u>\$ 668,573</u>	<u>\$ 1,161,773</u>

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

#### 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.

#### Retirement Plan

The Organization has 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 \$15,033 and \$13,260 in 2022 and 2021.

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Advertising

Advertising costs are expensed as incurred. Total advertising expenses were \$409 and \$4,062 for December 31, 2022 and 2021, 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, 2022, the Organization had no credit risk concentration.

#### 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.

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 2 - INVESTMENTS

Investments are stated at fair value at December 31, 2022 and 2021, and consisted of the following:

	<u>2022</u>	<u>2021</u>
Mutual Funds		
Fixed Income	\$ 680,093	\$ 929,238
Equities	<u>825,758</u>	<u>406,269</u>
Investments Reported at Fair Value	<u>\$ 1,505,851</u>	<u>\$ 1,335,507</u>

Investments accounts were held as follows as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investment Accounts	\$ 1,556,200	\$ 2,086,948
Less: Cash Equivalents	<u>(50,349)</u>	<u>(751,441)</u>
Total Investments	<u>\$ 1,505,851</u>	<u>\$ 1,335,507</u>
Board Designated Investments	\$ 710,753	\$ 391,270
Endowment Investments	<u>795,098</u>	<u>944,237</u>
Total	<u>\$ 1,505,851</u>	<u>\$ 1,335,507</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>2022</u>	<u>2021</u>
Buildings and Improvements	\$ 1,300,870	\$ 1,287,270
Shelter Furniture and Equipment	155,432	155,432
Office Furniture and Equipment	48,404	28,804
Veterinary Equipment	<u>55,057</u>	<u>55,057</u>
Total	<u>1,559,763</u>	<u>1,526,563</u>
Less Accumulated Depreciation	<u>626,138</u>	<u>550,330</u>
Total	<u>\$ 933,625</u>	<u>\$ 976,233</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and Cash Equivalents	\$ 247,980	\$ 1,015,652
Accounts Receivable	-	41,181
Board Designated Investments	710,753	391,270
Less: Amounts in these accounts with donor restrictions	<u>(8,000)</u>	<u>-</u>
Amounts Available for General Expenditure within One Year	<u>\$ 950,733</u>	<u>\$ 1,448,103</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, 2022, the Organization had \$710,753 of operating investments that could be converted to cash if necessary. At December 31, 2022, 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:

	<b>2022</b>	2021
	<b>With Donor Restrictions</b>	With Donor Restrictions
Donor-Restricted Endowment Funds:		
Original Donor-Restricted Amounts Required to be Maintained in Perpetuity by Donor	<b>\$ 690,543</b>	\$ 690,543
Accumulated Investment Gains	<b>139,925</b>	304,711
Total	<b>\$ 830,468</b>	\$ 995,254

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:

	<b>2022</b>	2021
Cash and Cash Equivalents	<b>\$ 35,370</b>	\$ 51,017
Endowment Investments	<b>795,098</b>	944,237
Total	<b>\$ 830,468</b>	\$ 995,254

# 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.

10<sup>th</sup> 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, 2022 and 2021 are as follows:

	<u>With Donor Restrictions</u>
Endowment Net Assets, December 31, 2020	\$ 894,174
Investment Income	<u>101,080</u>
Endowment Net Assets, December 31, 2021	995,254
Investment Loss	<u>(164,786)</u>
Endowment Net Assets, December 31, 2022	<u>\$ 830,468</u>

### NOTE 6 - 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 was recorded as PPP Loan Forgiveness Income in the Statement of Activities in the prior period.

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 - PPP LOAN (Continued)

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 prior period.

### NOTE 7 - 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Operating - Recurring Revenues	\$ 280,562	\$ 450,000
Operating - Non-Recurring Revenues	213,070	255,126
Medical	<u>12,847</u>	<u>15,377</u>
Total	<u>\$ 506,479</u>	<u>\$ 720,503</u>

These reserve assets are classified as follows on the statement of financial position as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 14,978	\$ 700,424
Board Designated Investments	<u>491,501</u>	<u>20,079</u>
Total	<u>\$ 506,479</u>	<u>\$ 720,503</u>

# FELINE RESCUE, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following Endowment Funds (Note 5) at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Net Assets With Donor Restrictions:		
Sanders Endowment	\$ 538,320	\$ 644,203
Warner Endowment	200,711	240,209
10th Life Endowment	91,437	110,842
Subject to Expenditure for Specified Purpose		
Veterinarian Equipment	<u>8,000</u>	<u>—</u>
Total With Donor Restrictions	<u>\$ 838,468</u>	<u>\$ 995,254</u>

Net assets with donor restrictions released from restriction were \$127,000 and \$119,391 in 2022 and 2021. Net assets with donor restrictions were released from restriction due to satisfaction of program restrictions.

### NOTE 9 - CONCENTRATIONS

The Organization derived 47% of its revenue from two donors for the year end December 31, 2021. There was no significant concentration of revenues from a single donor for the year end December 31, 2022.

### NOTE 10 - 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 was reflected as a receivable on the statement of financial position at December 31, 2021. In 2022, the employee retention credit was received in full.