

FELINE RESCUE, INC.
INDEPENDENT AUDITOR'S REPORT AND
FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Feline Rescue, Inc.

We have audited the accompanying financial statements of Feline Rescue, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from 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, 2018 and 2017, 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.

Respectfully submitted,

Lewis, Kisch & Associates, Ltd.

March 20, 2019

STATEMENTS OF FINANCIAL POSITIONDECEMBER 31, 2018 AND 2017

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 136,555	\$ 383,716
Prepaid Expenses	7,641	11,142
Current Operating Investments		299,209
Total Current Assets	<u>144,196</u>	<u>694,067</u>
<u>Property and Equipment</u>		
Property and Equipment	1,347,918	1,295,832
Less: Accumulated Depreciation	<u>(360,965)</u>	<u>(319,152)</u>
Property and Equipment, Net	<u>986,953</u>	<u>976,680</u>
<u>Other Assets</u>		
Long-Term Operating Investments	489,894	286,247
Endowment Investments	<u>625,906</u>	<u>750,013</u>
Total Other Assets	<u>1,115,800</u>	<u>1,036,260</u>
Total Assets	<u><u>\$ 2,246,949</u></u>	<u><u>\$ 2,707,007</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accrued Payroll and Payroll Taxes	\$ 9,870	\$ 1,393
Sales Tax Payable		1,299
Accounts Payable	<u>17,703</u>	<u>48,548</u>
Total Current Liabilities	<u>27,573</u>	<u>51,240</u>
<u>Net Assets</u>		
Without Donor Restrictions	1,557,787	1,905,754
With Donor Restrictions	<u>661,589</u>	<u>750,013</u>
Total Net Assets	<u>2,219,376</u>	<u>2,655,767</u>
Total Liabilities and Net Assets	<u><u>\$ 2,246,949</u></u>	<u><u>\$ 2,707,007</u></u>

See accompanying notes to financial statements.

STATEMENTS OF ACTIVITIESYEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<u>SUPPORT AND REVENUE</u>						
Adoptions	\$ 108,735		\$ 108,735	\$ 120,682		\$ 120,682
Contributions Income	381,348	\$ 122,482	503,830	696,617	\$ 488,785	1,185,402
Fundraising Events						
(Net of \$30,309 and \$11,304 Direct Expenses)	9,841		9,841	4,080		4,080
Merchandise Sales						
(Net of \$0 and \$3,739 Cost of Goods Sold)	1,429		1,429	6,827		6,827
In-Kind Contributions	948		948	9,444		9,444
Net Investment Income	15,180	14,261	29,441	9,640	6,818	16,458
Net Realized and Unrealized Gains (Losses)	(58,732)	(58,778)	(117,510)	10,809	60,392	71,201
Net Assets Released from Restrictions	166,389	(166,389)		73,156	(73,156)	
Total Support and Revenue	625,138	(88,424)	536,714	931,255	482,839	1,414,094
<u>EXPENSES</u>						
Program Services	790,681		790,681	643,180		643,180
Management and General	112,908		112,908	90,128		90,128
Fundraising	69,516		69,516	51,602		51,602
Total Expenses	973,105		973,105	784,910		784,910
Increase (Decrease) in Net Assets	(347,967)	(88,424)	(436,391)	146,345	482,839	629,184
Net Assets, Beginning of Year	1,905,754	750,013	2,655,767	1,759,409	267,174	2,026,583
Net Assets, End of Year	<u>\$ 1,557,787</u>	<u>\$ 661,589</u>	<u>\$ 2,219,376</u>	<u>\$ 1,905,754</u>	<u>\$ 750,013</u>	<u>\$ 2,655,767</u>

See accompanying notes to financial statements.

STATEMENTS OF FUNCTIONAL EXPENSESYEARS ENDED DECEMBER 31, 2018 AND 2017

	2018				Management and General	Fundraising	Grand Total
	Foster	Outreach	Shelter	Total			
Wages and Benefits	\$ 62,865	\$ 29,837	\$ 81,855	\$ 174,557	\$ 62,732	\$ 35,457	\$ 272,746
Contracted Services	10,358	10,203	10,505	31,066	15,532	8,694	55,292
Cat Care	217,050	116,111	139,471	472,632			472,632
Facilities	5,628	5,628	36,355	47,611	10,535		58,146
Operations	11,397	9,016	12,073	32,486	10,729	25,365	68,580
Other	5,125	3,060	24,144	32,329	13,380		45,709
Total Expenses	<u>\$ 312,423</u>	<u>\$ 173,855</u>	<u>\$ 304,403</u>	<u>\$ 790,681</u>	<u>\$ 112,908</u>	<u>\$ 69,516</u>	<u>\$ 973,105</u>

	2017				Management and General	Fundraising	Total
	Program Services						
Wages and Benefits	\$ 34,832	\$ 45,662	\$ 18,659	\$ 99,153			
Contracted Services	29,186	19,523	9,663	58,372			
Cat Care	472,622			472,622			
Facilities	39,985	6,093		46,078			
Operations	32,634	17,489	23,280	73,403			
Other	33,921	1,361		35,282			
Total Expenses	<u>\$ 643,180</u>	<u>\$ 90,128</u>	<u>\$ 51,602</u>	<u>\$ 784,910</u>			

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</u>		
Change in Net Assets	\$ (436,391)	\$ 629,184
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Contributions of Common Stock	(5,030)	(4,992)
Contributions Received for Long-Term Purposes		(453,138)
Realized and Unrealized (Gains) Losses	117,510	(71,201)
Depreciation	45,533	38,590
(Increase) Decrease in Current Assets		
Inventory		3,739
Prepaid Expenses	3,501	(6,131)
Increase (Decrease) in Current Liabilities		
Accrued Payroll and Payroll Taxes	8,477	1,393
Sales Tax Payable	(1,299)	1,299
Accounts Payable	(30,845)	16,152
Contract Payable		(3,310)
Net Cash Flows From (Used in) Operating Activities	<u>(298,544)</u>	<u>151,585</u>
<u>CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES</u>		
Purchases of Property and Equipment	(55,806)	(11,849)
Purchases of Investments	(367,839)	(1,339,733)
Proceeds from Sales of Investments	475,028	603,138
Net Cash Flows From (Used in) Investing Activities	<u>51,383</u>	<u>(748,444)</u>
<u>CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES</u>		
Contributions Received for Long-Term Purposes		453,138
Net Cash Flows From (Used in) Financing Activities		<u>453,138</u>
Net Decrease in Cash and Cash Equivalents	<u>(247,161)</u>	<u>(143,721)</u>
Cash and Cash Equivalents, Beginning of Year	383,716	527,437
Cash and Cash Equivalents, End of Year	<u>\$ 136,555</u>	<u>\$ 383,716</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

1. The Organization

Feline Rescue, Inc. (the "Organization"), is a Minnesota-based, no-kill 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, state, or federal 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.

2. Significant Accounting Policies

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to not-for-profit organizations. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and the changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the board of directors.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. When a restriction expires, 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.

Cash and Cash Equivalents – For purposes of the statements of cash flows, cash equivalents include highly liquid financial instruments with original maturities of three months or less that are neither held for nor restricted by donors for long-term purposes.

Investments – The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values on the statement of financial position. Net investment income is reported in the statement of activities and consists of interest and dividend income, less investment management and custodial fees. Realized and unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Investment management and custodial fees for the years ended December 31, 2018 and 2017, totaled \$12,930 and \$6,733, respectively.

Property and Equipment – Property and equipment are recorded at cost or, if donated, at fair market value at the date of donation. Items of \$5,000 or less are expensed in the year purchased. Depreciation is computed using the straight-line method and is charged to expense over the estimated useful lives of the assets, which range from two years for some veterinary equipment to thirty-nine years for buildings. Costs of maintenance and repairs that do not improve or extend the useful life of the respective assets are expensed currently. Depreciation for the years ended December 31, 2018 and 2017, totaled \$45,533 and \$38,590, respectively.

Support and Revenue – Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received are recorded as with donor restrictions and without donor restrictions depending on the existence and/or nature of any donor stipulations for their use.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**2. Significant Accounting Policies (Continued)**

In-Kind Contributions and Services – Donated services are recognized at fair value if the services meet the recognition criteria prescribed by generally accepted accounting principles, which include a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Donations of materials, property, and equipment are recorded as contributions at their estimated fair value at the date of donation.

Advertising – The Organization records advertising expenses as they are paid. For the years ended December 31, 2018 and 2017, advertising expenses totaled \$19,326 and \$16,440.

Functional Allocation of Expenses – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes – The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and is not considered a private foundation. Management has evaluated for uncertain tax positions and has determined there are no uncertain tax positions as of December 31, 2018. Tax returns for the past three years remain open for examination by tax jurisdictions.

Estimates – The preparation 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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Concentration of Credit Risk – Financial instruments, which potentially subject the Organization to credit risk, consist primarily of cash and cash equivalents. The Organization's cash and cash equivalents have been placed with major financial institutions. At times, such amounts may exceed Federal Deposit Insurance Corporation ("FDIC") limits. The Organization closely monitors these balances and has not experienced credit losses.

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 previously reported net assets.

Recently Adopted Accounting Pronouncements – In August 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements for Not-for-Profit Entities*, which simplified and improved how a not-for-profit organization classifies its net assets, as well as the information it presents in the financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaced the three former classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017. The Organization adopted ASU 2016-14 during the year ended December 31, 2018. In accordance with ASU 2016-14, previously reported net assets have been conformed to the current position.

Subsequent Events – The Organization has performed an evaluation of subsequent events through March 20, 2019, which is the date the financial statements were available to be issued.

3. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 136,555
Prepaid Expenses	7,641
Total	144,196
Less: Underwater endowment fund	(44,517)
Available	<u>\$ 99,679</u>

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

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**3. Liquidity and Availability (Continued)**

As part of the Organization's liquidity management plan, the Organization invests cash in excess of daily requirements. At December 31, 2018, the Organization had \$489,894 of long-term operating investments that could be converted to cash if necessary.

4. Fair Value Measurements and Disclosures

The Organization reports its investments at fair value in the accompanying financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, management develops inputs using the best information available in the circumstances.

The Organization's current and long-term investments are classified within Level 1 because they are comprised of common stock and mutual funds with readily determinable fair values based on daily redemption values.

The following table presents assets measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>December 31, 2018</u>			
Fixed Income Mutual Funds	\$ 375,434			375,434
Equity Mutual Funds	655,610			655,610
Alternative Mutual Funds	52,797			52,797
Total	<u>\$ 1,083,841</u>			<u>\$ 1,083,841</u>
	<u>December 31, 2017</u>			
Common Stock	\$ 52,063			\$ 52,063
Fixed Income Mutual Funds	297,654			297,654
Equity Mutual Funds	712,587			712,587
Bond Mutual Funds	247,145			247,145
Total	<u>\$ 1,309,449</u>			<u>\$ 1,309,449</u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**4. Fair Value Measurements and Disclosures (Continued)**

The following is a summary of the Organization's investments as reported in the accompanying statement of financial position at December 31, 2018 and 2017:

	December 31,	
	2018	2017
Current Operating Investments		\$ 299,209
Endowments	\$ 625,907	750,013
Long-Term Operating Investments	489,893	286,247
Less: Cash Included in Endowments	(31,959)	(26,020)
Investments Reported at Fair Value	<u>\$ 1,083,841</u>	<u>\$ 1,309,449</u>

5. Property and Equipment

Property and equipment consists of the following at December 31, 2018 and 2017:

	December 31,	
	2018	2017
Buildings and Improvements	\$ 1,280,122	\$ 1,280,122
Shelter Furniture and Equipment	11,490	11,490
Office Furniture and Equipment	15,128	4,220
Veterinary Equipment	41,178	
Total Property and Equipment	1,347,918	1,295,832
Less: Accumulated Depreciation	(360,965)	(319,152)
Total Property and Equipment, Net	<u>\$ 986,953</u>	<u>\$ 976,680</u>

6. Endowment

The Organization's endowment consists of three donor-restricted funds established to provide annual funding for specific activities and general operations. Net assets associated with this endowment 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 preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. At December 31, 2018 and 2017, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purpose of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**6. Endowment (Continued)**

Endowment net asset composition by type of fund as of December 31, 2018 and 2017, is as follows:

	December 31,	
	2018	2017
	With Donor Restrictions	With Donor Restrictions
Donor-restricted endowment funds		
Original donor-restricted amounts required to be maintained in perpetuity by donor	\$ 670,423	\$ 670,423
Accumulated investment gains (losses)	(44,517)	79,590
Total	<u>\$ 625,906</u>	<u>\$ 750,013</u>

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law ("underwater endowments"). The Organization has interpreted UPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law. At December 31, 2018, funds with original gift values of \$670,423, fair values of \$625,906, and deficiencies of \$44,517 were reported in net assets with donor restrictions. These amounts were fully recovered in 2019 due to favorable market fluctuations.

Investment and Spending Objectives and Policies – The Organization has adopted investment and spending policies to provide guidelines for investing endowment assets. Under this policy, the Organization's investment committee selects and oversees investments in each endowment account based on criteria that may include, but are not limited to, the following:

- Maximization of income and/or return within reasonable and prudent levels of risk and identified criteria for each account
- Provision of returns comparable to returns for similar investment options
- Control of administrative and management fees
- Provision of appropriate diversification within investment accounts
- Investment's adherence to stated investment objectives and style

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

Restricted Endowment – Objective: Growth – Approximately 52% stock/40% bonds/8% alternatives. This account will be invested to provide for long-term growth of principal while providing an ongoing income stream. Income will be transferred from this account to the operating investment account for the Organization's ongoing needs annually, at a minimum. The income goal for distribution is 4% annually, which is based on the average account value over the preceding 12-quarter period. The investment committee will also monitor the account's dividends, income, and overall investment return on an ongoing basis to ensure that this goal remains appropriate.

Warner Endowment – Objective: Growth – Approximately 52% stock/40% bonds/8% alternatives. This account will be invested to provide for long-term growth of principal while providing for ongoing income to be used as specified in the endowment. Income will be transferred to the Medical Miracle Fund and used on an annual basis, at minimum. The income goal for distribution is 4% annually, based on the average account value over the preceding 12-quarter period. The investment committee will also monitor the account's dividends, income, and overall investment return on an ongoing basis to ensure that this goal remains appropriate.

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**6. Endowment (Continued)**

10th Life Endowment – Objective: Aggressive growth and income – Approximately 78% stock/16% bonds/6% alternatives. This account has a longer timeframe and is able to take on a higher amount of risk in order to provide longer-term funds to meet the spending objectives of the 10th Life Fund. The income goal for distribution is 4% annually, based on the average account value over the preceding 12-quarter period. The investment committee will monitor this account's dividends, income, and overall investment return on an ongoing basis to ensure that this goal remains appropriate. The committee will retain discretion to recommend that a greater or lesser amount be distributed in order to finance the board's objectives and initiatives.

Changes in endowment net assets for the years ended December 31, 2018 and 2017, were as follows:

	<u>With Donor Restrictions</u>
Endowment net assets, January 1, 2017	\$ 229,665
Investment return, net	67,210
Contributions	453,138
Endowment net assets, December 31, 2017	<u>750,013</u>
Investment return, net	(44,517)
Appropriation of endowment assets pursuant to spending policy	(79,590)
Endowment net assets, December 31, 2018	<u><u>\$ 625,906</u></u>

7. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at December 31, 2018 and 2017:

	<u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Subject to expenditure for specified purpose		
Veterinarian and shelter manager payroll	\$ 35,683	
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Available for general use		\$ 54,049
Medical Miracle Fund		25,541
Subject to endowment spending policy and appropriation		
General use	453,138	453,138
10 th Life	70,354	70,354
Medical Miracle	146,931	146,931
Underwater endowments	(44,517)	
Total endowments	<u>625,906</u>	<u>750,013</u>
Total net assets with donor restrictions	<u><u>\$ 661,589</u></u>	<u><u>\$ 750,013</u></u>

NOTES TO FINANCIAL STATEMENTSDECEMBER 31, 2018 AND 2017**7. Net Assets With Donor Restrictions (Continued)**

Net assets were released from donor restrictions as follows during the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Appropriation of endowment assets		
General	\$ 54,049	
Satisfaction of purpose restrictions		
Medical Miracle Fund	21,237	\$ 73,156
Veterinarian and shelter manager payroll	54,317	
Sanitation protocol upgrade	8,900	
Other grant expenditures	3,250	
Restricted-purpose spending rate distributions and appropriations		
Medical Miracle Fund	24,636	
Total released	<u>\$ 166,389</u>	<u>\$ 73,156</u>

7. Functionalized Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include facilities, which are allocated on a square footage basis, as well as wages and benefits, contracted services, operations, and other, which are allocated based on estimates of time and effort.

8. Concentrations

During the year ended December 31, 2018, 14.7% of the Organization's revenues consisted of grants from one organization. Loss of this grantor could have a major impact on the Organization's activities.

During the year ended December 31, 2017, 32.0% and 19.9% of the Organization's revenues consisted of contributions made by two donors. Lack of similar support in the future could significantly affect the Organization's operations.