

**Alley Cat Rescue, Inc.
Financial Statements
July 31, 2022 and 2021**

With Independent Auditors' Report Thereon



ALLEY CAT RESCUE

AN ALLIANCE FOR CAT PROTECTION

Alley Cat Rescue, Inc.
Table of Contents

<u>Title</u>	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statement of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-20



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Independent Auditors' Report

To the Board of Directors
Alley Cat Rescue, Inc.
Brentwood, Maryland

Opinion

We have audited the accompanying financial statements of Alley Cat Rescue, Inc., which comprise the statements of financial position as of July 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 Alley Cat Rescue, Inc. as of July 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 Financial Statements section of our report. We are required to be independent of Alley Cat Rescue, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements related to our audit. 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 Alley Cat 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.

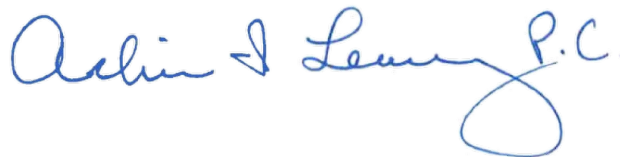
Auditors' Responsibilities for the Audit of the Financial Statements

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 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 risk 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 Alley Cat 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 Alley Cat 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 audits.

Rockville, Maryland
February 16, 2023



Alley Cat Rescue, Inc.
Statements of Financial Position
July 31, 2022 and 2021

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Current Assets		
Cash and cash equivalents	\$ 1,483,949	\$ 1,003,378
Investments	385,290	363,147
Contributions receivable	215,887	285,090
Loans to employees	-	450
Inventory	77,641	86,136
Prepaid expenses	-	18,929
Total Current Assets	<u>2,162,767</u>	<u>1,757,130</u>
Property, Plant and Equipment, net	<u>378,467</u>	<u>396,840</u>
Total Assets	<u>\$ 2,541,234</u>	<u>\$ 2,153,970</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 202,467	\$ 77,619
Accrued expenses	26,342	31,111
Current portion of mortgage payable	16,788	16,341
Current portion of charitable gift annuity obligations	697	697
Total Current Liabilities	<u>246,294</u>	<u>125,768</u>
Long-Term Liabilities		
Mortgage payable, net of current portion	140,229	156,634
Charitable gift annuity obligations, net of current portion	5,169	7,263
Total Long-Term Liabilities	<u>145,398</u>	<u>163,897</u>
Total Liabilities	<u>391,692</u>	<u>289,665</u>
Net Assets		
Without restrictions	1,983,655	1,593,964
With restrictions	165,887	270,341
Total Net Assets	<u>2,149,542</u>	<u>1,864,305</u>
Total Liabilities and Net Assets	<u>\$ 2,541,234</u>	<u>\$ 2,153,970</u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statements of Activities
For the Years Ended July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in Net Assets Without Restrictions		
Support and Revenue		
Public Support		
Contributions and donations	\$ 2,052,896	\$ 2,135,691
Legacies and bequests	381,148	267,834
Grants	162,753	284,118
Federated and non-federated campaigns	12,551	16,538
Net assets released from restrictions:		
Expiration of time restrictions	447,240	177,189
Satisfaction of purpose restrictions	85,300	49,740
Total Public Support	<u>3,141,888</u>	<u>2,931,110</u>
Other Revenue		
Mailing list rentals	24,869	40,644
Merchandise sales, net	24,033	47,471
Other income	6,801	1,095
Investment income	16,625	36,306
Total Other Revenue	<u>72,328</u>	<u>125,516</u>
Total Support and Revenue	<u>3,214,216</u>	<u>3,056,626</u>
Expenses		
Program		
Newsletters and Publications	314,660	257,189
Advocacy and Promoting Spay/Neuter	358,551	338,350
Education and Public Relations	260,916	254,685
Direct Care and Services	834,751	782,904
National and Global Programs	306,211	243,949
Campaigns and Outreach	279,000	276,321
Total Program Expenses	<u>2,354,089</u>	<u>2,153,398</u>
Supporting Services		
Management and general	100,883	185,938
Development	369,553	182,470
Total Supporting Services	<u>470,436</u>	<u>368,408</u>
Total Expenses	<u>2,824,525</u>	<u>2,521,806</u>
Change in Net Assets Without Restrictions	<u>\$ 389,691</u>	<u>\$ 534,820</u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statements of Activities, continued
For the Years Ended July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Change in Net Assets With Restrictions		
Contributions and donations	\$ 50,050	\$ 17,185
Legacies and bequests	332,554	133,850
Federated and non-federated campaigns	45,482	73,340
Net assets released from restrictions:		
Expiration of time restrictions	(447,240)	(177,189)
Satisfaction of purpose restrictions	(85,300)	(49,740)
	<u>(104,454)</u>	<u>(2,554)</u>
Change in Net Assets With Restrictions		
	<u>(104,454)</u>	<u>(2,554)</u>
Total Change in Net Assets	285,237	532,266
Net Assets, beginning of year	<u>1,864,305</u>	<u>1,332,039</u>
Net Assets, end of year	<u>\$ 2,149,542</u>	<u>\$ 1,864,305</u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statement of Functional Expenses
For the Year Ended July 31, 2022, with 2021 Totals

Program Services

	Newsletters and Publications	Advocacy and Promoting Spay/ Neuter	Education and Public Relations	Direct Care and Services	National and Global Programs	Campaigns and Outreach	Total Program
Payroll	\$ 91,512	\$ 75,717	\$ 75,882	\$ 142,403	\$ 64,612	\$ 70,882	\$ 521,008
Veterinary Costs and Supplies	-	37,683	-	345,108	84,049	35,277	502,117
Printing	74,198	61,391	61,524	115,460	52,387	57,471	422,431
Postage and Delivery	58,865	48,705	48,811	91,600	41,561	45,595	335,137
Occupancy	31,549	26,104	26,161	49,094	22,273	24,437	179,618
Professional fees	10,562	8,739	8,758	16,435	7,457	8,181	60,132
Repairs and Maintenance	13,638	11,284	11,309	21,222	9,629	10,563	77,645
Insurance	11,510	9,523	9,544	17,911	8,127	8,915	65,530
Miscellaneous Expense	7,992	6,613	6,627	12,436	5,643	6,190	45,501
Donations	-	60,519	-	-	-	-	60,519
Travel	9,549	7,901	7,918	14,859	6,742	7,396	54,365
Advertising	5,285	4,372	4,382	8,223	3,731	4,093	30,086
Total	<u>\$ 314,660</u>	<u>\$ 358,551</u>	<u>\$ 260,916</u>	<u>\$ 834,751</u>	<u>\$ 306,211</u>	<u>\$ 279,000</u>	<u>\$ 2,354,089</u>
Percent of total expenses	<u>11.14%</u>	<u>12.69%</u>	<u>9.24%</u>	<u>29.55%</u>	<u>10.84%</u>	<u>9.88%</u>	<u>83.34%</u>

Supporting Services

Management and General	Development	Total Supporting Services	2022 Total Expenses	2021 Total Expenses
\$ 4,420	\$ 6,403	\$ 10,823	\$ 531,831	\$ 526,796
-	-	-	502,117	474,487
88,330	201,365	289,695	712,126	520,455
3,783	155,482	159,265	494,402	478,623
1,523	2,208	3,731	183,349	137,719
510	739	1,249	61,381	68,697
659	954	1,613	79,258	74,905
556	805	1,361	66,891	75,146
386	559	945	46,446	46,729
-	-	-	60,519	15,634
461	668	1,129	55,494	34,187
255	370	625	30,711	68,428
<u>\$ 100,883</u>	<u>\$ 369,553</u>	<u>\$ 470,436</u>	<u>\$ 2,824,525</u>	<u>\$ 2,521,806</u>
<u>3.57%</u>	<u>13.09%</u>	<u>16.66%</u>	<u>100.00%</u>	

Alley Cat Rescue, Inc.
Statements of Cash Flows
For the Years Ended July 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities		
Change in net assets	\$ 285,237	\$ 532,266
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,373	17,861
Unrealized gain on investments	(5,712)	(27,907)
Donated securities	(7,564)	-
Forgiveness of debt - Paycheck Protections Program loan (Round I and II)	-	(220,871)
Change in assets and liabilities		
Decrease (Increase) in contributions receivable	69,203	(47,186)
Decrease (Increase) in inventory	8,495	(44,910)
Decrease in prepaid expenses	18,929	7,218
Decrease (Increase) in loan to employees	450	(350)
Increase in accounts payable	124,848	7,415
(Decrease) in accrued expenses	(4,769)	(13,200)
	<u>507,490</u>	<u>210,336</u>
Net Cash Provided By Operating Activities		
Cash Flows From Investing Activities		
Acquisition of property, plant, and equipment	-	(51,243)
Purchase of investments	-	(125,234)
Reinvestment of interest and dividends	(8,867)	(8,266)
	<u>(8,867)</u>	<u>(184,743)</u>
Net Cash (Used In) Investing Activities		
Cash Flows From Financing Activities		
Proceeds from the Paycheck Protection Program loan (Round II)	-	120,871
Curtailment of charitable annuity obligation	(2,094)	(2,352)
Curtailment of mortgage payable	(15,958)	(14,664)
	<u>(18,052)</u>	<u>103,855</u>
Net Cash (Used In) Provided By Financing Activities		
Net Increase in Cash and Cash Equivalents	480,571	129,448
Cash and Cash Equivalents, Beginning of Year	1,003,378	873,930
Cash and Cash Equivalents, End of Year	<u>\$ 1,483,949</u>	<u>\$ 1,003,378</u>
Supplemental Disclosure of Cash Flows Information:		
Interest paid during the year	<u>\$ 7,253</u>	<u>\$ 9,596</u>
Income taxes paid during the year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 1 **Organization**

Alley Cat Rescue, Inc. (ACR), a non-profit organization, was incorporated under the laws of the state of Delaware in 1997. ACR is part of an international campaign to stabilize and reduce the number of domestic and feral cats. ACR works to protect cats on several levels: locally through rescue, rehabilitation, and adoption of cats; nationally, through a network of Cat Action Teams, called CAT; and internationally, funded by a grant provided by Ayers Wild Cat Conservation Trust, the African Wildcat Conservation in an effort to eliminate hybridization of wild cats in South Africa. ACR is dedicated to the health, well-being and welfare of all cats.

The following is a description of the some of the programs currently being conducted by Alley Cat Rescue, Inc.

Direct Care and Services

ACR manages multiple cat colonies in Maryland and Los Angeles, California. this involves trapping, sterilizing, and vaccinating new colony arrivals as they are discovered, as well as feeding all of the cats and monitoring their health daily. any cats in need of medical attention are taken to a veterinarian for care. friendly cats and young kittens found in colonies are spayed/neutered, vaccinated, and cared for in foster homes until they are adopted.

ACR operates an African Wildcat Conservation Program in South Africa with the purpose of protecting and preserving the African Wildcat (AWC) species, which is threatened by habitat loss. The species is also significantly threatened by hybridization with domestic casts. The AWC is the ancestor of the domestic cat and the two species readily interbreed. Our conservation program seeks to prevent the interbreeding through TNR of outdoor domestic cats who live near AWC territories.

Advocacy and Promoting Spay/Neuter

ACR works to put an end to the myths and misinformation surrounding feral and stray cats, which are often used as scapegoats for complex environmental problems, such as the depletion of birds and other wildlife. ACR promotes the concept that all animals deserve respect and compassion, and that humane, non-lethal methods for controlling their populations, such as TNR, should be used. all ACR's mailings include calls to action that will aid in safeguarding the health and lives of cats.

ACR spearheads an annual, nationwide feral cat sterilization initiative, the "feral fix challenge," which urges veterinarians to pledge to offer free or low-cost spay and neuter surgeries for feral cats, to whatever degree is possible for their individual practice. this campaign brings national attention to the need for TNR and advances the humane management of cat overpopulation.

ACR also gives financial support to organizations that practice TNR in other states and countries.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 1 Organization, (continued)

Campaigns and Outreach

ACR provides the public with the most recent information on felines. we advocate for and carry out humane population control through TNR and kitten adoption, publish information on zoonotic diseases, and we dispel the misinformation spread about cats. ACR has distributed over 750,000 pet trust brochures to help people plan for the future of their cats in case of emergencies.

In order to lower the euthanasia rate of cats in shelters and to prevent the suffer in of cats on our streets through humane care, ACR provides the public with lists of clinics that offer low-cost spay/ neuter programs low-cost veterinary care throughout the country. We also provide information on how people can avoid surrendering their cats to shelters.

For many years, ACR has been engaged in promoting humane solutions resolving the complex issues of cat overpopulation, especially those relating to feral cats.

Education and Public Relations

ACR's programs and campaigns to end the killing of healthy stray and feral cats in local shelters are diverse. they range from hands-on trapping and sterilization of cats, to providing educational information about TNR and cat welfare, as well as providing resources to the community to assist them in practicing TNR and caring for all varieties of domestic cats.

National Cat Action Teams

National Cat Action Teams, organizations that assist groups and individuals to help domestic and feral cats. ACR provides a nationwide listing of groups and organizations, organized by state, for the benefit of interested parties who would like to help with feral cats in their area. the listing provides the name of the organization and a link to the website as well as telephone numbers and email addresses when available.

Newsletters and Publications

ACR publishes biannual newsletters and other mailings year-round to disseminate information about ACR's programs and the impacts they are having in the community. these publications also highlight current events relating to cat welfare with specific actions the readers can take to help the affected cat populations.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 2 **Summary of Significant Accounting Policies**

Basis of Presentation

The financial statements of ACR have been prepared on the accrual basis of accounting. ACR follows the Not-for-Profit Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under this topic, ACR is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets Without Donor Restrictions – Net assets without donor restrictions are net assets available for use in general operations and are not subject to donor-imposed restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may be met either by actions of the Shelter and/or the passage of time or that are subject to donor-imposed stipulations that may be maintained permanently by the ACR.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Revenue Recognition

Revenue is recognized when there is evidence that collection is reasonably ensured, which for unrestricted contributions is when they are received. ACR reports gifts of cash and other assets as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets or if the donation has been recognized as receivable. 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 restriction and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 2 **Summary of Significant Accounting Policies, (continued)**

Revenue Recognition, continued

ACR reports gifts of land, buildings, equipment and securities as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, ACR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Revenue from contracts are recognized as the related qualifying expenses are incurred. Revenue is deferred when funds are received but not yet expended for the contractual purpose.

Donated Material and Services

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated value at the date of receipt. If the donors stipulate how long the assets must be used, the contributions are recorded as donations with restrictions. In the absence of such stipulations, contributions of materials and equipment are recorded as donations with restrictions. During the years ended July 31, 2022 and 2021, ACR did not recognize any donated material.

The organization recognizes contributed services to the extent the services received create or enhance non-financial assets or require specialized skills that would be purchased if not provided by donation. During the years ended July 31, 2022 and 2021, ACR did not recognize any donated services.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, and all highly liquid instruments with original maturities of three months or less. Cash and cash equivalents do not include temporary cash held in custodial accounts or restricted investments.

Investments

Investments are presented in the financial statements at quoted fair value. The net realized and unrealized appreciation (depreciation) in market value of investments is reflected in the statement of activities. Investments consist of mutual funds, cash and money market funds held by a broker.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 2 Summary of Significant Accounting Policies, (continued)

Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Codification establishes a fair value hierarchy that is based on the valuation inputs in the fair value measurements. The topic requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.
- Level 2 Observable market-based or unobservable inputs corroborated by - market data. Investments classified as Level 2 trade in markets that are not considered to be active.
- Level 3 Unobservable inputs that are not corroborated by market data. Valuation is accomplished using management's best estimate of fair value.

Inventory

Inventories are stated at the lower of cost (first-in, first out) or market. Cost includes all direct costs to bring inventory to its present location.

Property, Plant, and Equipment

Property and equipment are recorded at cost and depreciated over estimated useful lives of 3 to 7 years using the straight-line method. Leasehold improvements are depreciated over 15 years. Buildings are recorded at cost and depreciated over the estimated useful life of 40 years. Land is capitalized at cost and undepreciated. Repairs and maintenance costs are either expensed as incurred or capitalized and depreciated over the remaining useful life of the building, depending on amount. It is the policy of ACR to capitalize all property and equipment acquisitions in excess of \$1,000.

Charitable Gift Annuity Obligations

ACR has entered into contracts with donors to pay periodic stipulated payments to the donors or other designated individuals that terminates at a specified time. ACR records a liability based on the present value of the future payments resulting from the annuity contracts at date of gifts. The excess in the amount of each annuity gift over the liability is recorded as contributions and donations in the accompanying statement of activities.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 2 **Summary of Significant Accounting Policies, (continued)**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. The statement of functional expenses reports certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Salaries and benefits, rent, depreciation, utilities, information technology, and other expenses are allocated based on estimates of time and effort.

Income Taxes

ACR is exempt from federal income tax on related income under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation. Income determined to be from unrelated business income is taxable and to the extent it culminates in taxes due, a provision for income taxes will be provided.

At July 31, 2022, and for the year then ended, there were no material unrecognized/derecognized tax benefits or tax penalties or interest. No provision for income taxes has been made in the accompanying financial statements.

In general, when tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying statements of financial position, along with any associated interest and penalties that would be payable to the taxing authorities upon examination. ACR has determined that no such liabilities were required at July 31, 2022 and 2021.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect specific amounts and disclosures. Accordingly, actual results could differ from those estimates.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 2 Summary of Significant Accounting Policies, (continued)

Recent accounting pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern or expense recognition in the statement of activities. The new standard is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years.

A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. ACR currently expects that upon adoption of ASU 2016-02, right-of-use assets and lease liabilities will only occur if a lease exists at that time.

Note 3 Liquidity and Availability of Resources

ACR financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,483,949	\$ 1,003,378
Certificates of deposit	16,876	19,672
Short-term investments	365,414	343,475
Contributions receivable	215,886	285,090
	<u>2,082,125</u>	<u>1,651,615</u>
Less: Donor restricted funds and therefore unavailable for general expenditures	<u>(165,887)</u>	<u>(270,341)</u>
Financial assets available, at year end	<u><u>\$ 1,916,238</u></u>	<u><u>\$ 1,381,274</u></u>

ACR maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, ACR maintains a large cash reserve in a money market fund that is used throughout the year when ACR has variable cash flow.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 4 Investments

Investments are comprised of the following at July 31, 2022:

June 30, 2022	Cost Basis	Fair Market Value	Cummulative Unrealized Gain (loss)
Certificates of deposit	\$ 19,876	\$ 19,876	\$ -
Money market funds	168,445	168,445	-
Equity securities	<u>209,435</u>	<u>196,969</u>	<u>(12,466)</u>
Total	<u>\$ 397,756</u>	<u>\$ 385,290</u>	<u>\$ (12,466)</u>

Realized and unrealized gains and losses are included in the statement of activities as part of investment income. The following summarizes the investment return for the year ended July 31, 2022:

	<u>2022</u>	<u>2021</u>
Net unrealized gain on investments	\$ 5,712	\$ 27,907
Reinvestment of interest and dividends	<u>10,913</u>	<u>8,399</u>
Investment gain	<u>\$ 16,625</u>	<u>\$ 36,306</u>

Note 5 Fair Value Measurement

In determining the appropriate levels, ACR performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of July 31, 2022 and 2021:

	<u>2022</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 19,876	\$ -	\$ -
Money market funds	168,445		
Equity securities	<u>196,969</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 385,290</u>	<u>\$ -</u>	<u>\$ -</u>
	<u>2021</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 19,672	\$ -	\$ -
Money market funds	159,548		
Equity securities	<u>183,927</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 363,147</u>	<u>\$ -</u>	<u>\$ -</u>

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 6 Contributions Receivable

Contributions receivable are reflected at their net realizable value and consist of unconditional promises expected to be collected within one year. To determine the net realizable value of contributions receivable, ACR estimates the uncollectible amounts based on historical trends to collections with past federated and non-federated campaigns. Contributions receivable as of July 31, 2022 and 2021 respectively, are as follows:

	<u>2022</u>	<u>2021</u>
Legacy and bequests receivables	\$ 115,906	\$ 147,102
Federated and non-federated campaigns	47,942	68,985
Grant	50,000	50,000
Other receivables	<u>2,039</u>	<u>19,003</u>
	.	.
Total	<u><u>\$ 215,887</u></u>	<u><u>\$ 285,090</u></u>

Note 7 Property Plant and Equipment

Property, plant, and equipment at July 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Autos	\$ 56,112	\$ 56,112
Furniture and Fixtures	29,229	29,229
Website Development	9,899	9,899
Building and improvements	263,652	263,652
Land	<u>140,061</u>	<u>140,061</u>
Subtotal	498,953	498,953
Less: Accumulated Depreciation	<u>120,486</u>	<u>102,113</u>
Total	<u><u>\$ 378,467</u></u>	<u><u>\$ 396,840</u></u>

Depreciation expense for the years ended July 31, 2022 and 2021 amounted to \$18,373 and \$17,861, respectively.

Note 8 Split Interest Agreements

ACR's split interest agreements with donors consist of charitable gift annuities. Charitable gift annuities are unrestricted irrevocable gifts under which ACR agrees in turn to pay a life annuity to the donor or designated beneficiary. The contributed funds and the corresponding liabilities immediately become part of the general assets and liabilities of ACR subject to ACR maintaining an actuarial reserve in accordance with state law. Contribution revenue from charitable gift annuities is recognized at the date the agreement is established, net of the liability recorded for the present value of the estimated future payments to be made to the respective donors and/or beneficiaries.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 8 **Split Interest Agreements, (continued)**

There were no new charitable gift annuity obligations entered into during the year ended July 31, 2022.

For the year ended July 31, 2022, the present value of the annuities totaled \$5,866, of which \$697 and \$5,169 are recorded as a current liability and a long-term liability, respectively.

For the year ended July 31, 2021, the present value of the annuities totaled \$7,960, of which \$697 and \$7,263 are recorded as a current liability and a long-term liability, respectively.

Note 9 **Mortgage Payable**

On April 17, 2016, ACR entered into a mortgage payable secured by real estate located in Brentwood, Maryland. The loan was secured at a 4% rate of interest for a term of 108 months. At the conclusion of the 9-year term, the remaining balance is scheduled to balloon, become due immediately on April 17, 2025. The estimated balance at the end of the 9-year term is \$104,832. Future maturities over the next five years are as follows:

July 31, 2023	\$	16,788
July 31, 2024		17,468
July 31, 2025		18,203
July 31, 2026		104,558
July 31, 2027 and thereafter		<u>-</u>
Total	\$	<u><u>157,017</u></u>

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 10 Net Assets with Donor Restrictions

Net assets with donor restrictions at July 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Net assets with donor restrictions		
Time restricted	\$ 165,887	\$ 235,091
Purpose restricted	-	35,250
	<u> </u>	<u> </u>
Total net assets with donor restrictions	<u>\$ 165,887</u>	<u>\$ 270,341</u>
Net assets released from donor restrictions		
Due to the passage of time	\$ 447,240	\$ 177,189
Due to satisfaction of purpose restrictions	85,300	49,740
	<u> </u>	<u> </u>
Total net assets released from donor restrictions	<u>\$ 532,540</u>	<u>\$ 226,929</u>

Note 11 Allocation of Joint Costs

During the years ended July 31, 2022 and 2021, ACR conducted activities that included a request for contributions, as well as program components. Those activities included mail campaigns for informational material, program activities and special program events. The cost of conducting those activities was \$1,206,526 and \$809,772, respectively, for the years ended July 31, 2022 and 2021.

The joint costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Program expense	\$ 757,567	\$ 469,237
Development expense	356,847	209,674
Mangement and General	92,112	130,861
	<u> </u>	<u> </u>
Total joint costs	<u>\$ 1,206,526</u>	<u>\$ 809,772</u>

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2022 and 2021

Note 12 Merchandise Sales

ACR's inventory mainly consists of educational materials that help promote the mission of the organization. Merchandise sales presented on the Statement of Activities consist of the following:

	<u>2022</u>	<u>2021</u>
Merchandise sales	\$ 32,527	\$ 60,355
Cost of goods sold	<u>8,494</u>	<u>12,884</u>
Gross profit	<u>\$ 24,033</u>	<u>\$ 47,471</u>

Note 13 Concentration of Credit Risk

ACR maintains multiple bank accounts at institutions that are insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. From time to time the balances in the accounts may exceed federally insured limits. As of July 31, 2022 and 2021, bank balances held exceeded the FDIC limits by \$990,497 and \$503,379, respectively. ACR has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash.

ACR also maintains an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 per organization (with a limit of \$250,000 for cash) by the Securities Investor Protection Corporation. The SIPC insurance is limited to \$1,000,000 in aggregate. The amount in excess of the Securities Investor Protection Corporation limit as of July 31, 2022 and 2021 was \$0, respectively. ACR monitors the risk and does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

Note 14 Subsequent Events

In accordance with FASB ASC 855-50-1, *Date Through Which Subsequent Events Have been Evaluated*, management has evaluated the accounts of the Organization from July 31, 2022 through February 16, 2023, the date the financial statements were available to be issued, to determine whether there are any subsequent events that would have an impact on the financial statements that have not been properly disclosed. From their review, management has determined there were no significant subsequent events that were not properly disclosed.