

**Alley Cat Rescue, Inc.
Financial Statements
July 31, 2020 and 2019**

With Independent Auditors' Report Thereon



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



(301) 340-1550
(301) 340-0505 Fax

2200 Research Blvd.
Suite 540
Rockville, Maryland 20850

Independent Auditors' Report

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

We have audited the accompanying financial statements of Alley Cat Rescue, Inc. (a nonprofit organization) which comprise the statements of financial position as of July 31, 2020 and 2019, 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.

Auditors' 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 audit 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 Alley Cat Rescue, Inc. as of July 31, 2020 and 2019, 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.

February 3, 2021
Rockville, Maryland

Arkin & Company, Chartered

Alley Cat Rescue, Inc.
Statements of Financial Position
July 31, 2020 and 2019

	<u>Assets</u>	
	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 873,930	\$ 766,410
Investments	201,740	209,519
Contributions receivable	237,904	407,046
Loans to employees	100	-
Inventory	41,226	26,617
Prepaid expenses	26,147	8,062
Total Current Assets	1,381,047	1,417,654
Property, Plant and Equipment, net	363,458	373,219
Total Assets	\$ 1,744,505	\$ 1,790,873
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 70,204	\$ 106,271
Accrued expenses	44,311	34,584
Current portion of mortgage payable	15,535	15,050
Current portion of charitable gift annuity obligations	1,227	1,412
Total Current Liabilities	131,277	157,317
Long-Term Liabilities		
Mortgage payable, net of current portion	172,104	183,407
Paycheck Protection Program loan	100,000	-
Charitable gift annuity obligations, net of current portion	9,085	10,068
Total Long-Term Liabilities	281,189	193,475
Total Liabilities	412,466	350,792
Net Assets		
Without restrictions	1,059,144	1,004,430
With restrictions	272,895	435,651
Total Net Assets	1,332,039	1,440,081
Total Liabilities and Net Assets	\$ 1,744,505	\$ 1,790,873

The accompanying notes are an integral part of the financial statements

Alley Cat Rescue, Inc.
Statements of Activities
For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in Net Assets Without Restrictions		
Support and Revenue		
Public Support		
Contributions and donations	\$ 1,646,669	\$ 1,406,741
Legacies and bequests	245,100	502,772
Grants	68,586	80,140
Federated and non-federated campaigns	4,023	-
Net assets released from restrictions:		
Expiration of time restrictions	245,664	145,541
Satisfaction of purpose restrictions	43,347	26,446
Total Public Support	<u>2,253,389</u>	<u>2,161,640</u>
Other Revenue		
Mailing list rentals	53,293	51,926
Merchandise sales, net	11,324	15,827
Other Income	1,330	2,016
Investment loss	(7,314)	(2,774)
Total Other Revenue	<u>58,633</u>	<u>66,995</u>
Total Support and Revenue	<u>2,312,022</u>	<u>2,228,635</u>
Expenses		
Program		
Newsletters and Publications	223,550	199,033
Advocacy and Promoting Spay/Neuter	313,327	569,439
Education and Public Relations	245,535	282,982
Direct Care and Services	590,466	368,582
National and Global Programs	224,267	166,442
Campaigns and Outreach	269,276	307,181
Total Program Expenses	<u>1,866,421</u>	<u>1,893,659</u>
Supporting Services		
Management and general	136,988	135,329
Development	253,899	296,375
Total Supporting Services	<u>390,887</u>	<u>431,704</u>
Total Expenses	<u>2,257,308</u>	<u>2,325,363</u>
Change in Net Assets Without Restrictions	<u>\$ 54,714</u>	<u>\$ (96,728)</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, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Change in Net Assets With Restrictions		
Legacies and bequests	\$ 58,256	\$ 195,531
Federated and non-federated campaigns	67,999	45,219
Grant	-	150,000
Net assets released from restrictions:		
Expiration of time restrictions	(245,664)	(145,541)
Satisfaction of purpose restrictions	(43,347)	(26,446)
	<u>(162,756)</u>	<u>218,763</u>
Change in Net Assets With Restrictions		
	<u>(162,756)</u>	<u>218,763</u>
Total Change in Net Assets	(108,042)	122,035
Net Assets, beginning of year	<u>1,440,081</u>	<u>1,318,046</u>
Net Assets, end of year	<u>\$ 1,332,039</u>	<u>\$ 1,440,081</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, 2020, with 2019 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	\$ 83,006	\$ 93,154	\$ 91,169	\$ 124,261	\$ 67,177	\$ 80,966	\$ 539,733
Veterinary Costs and Supplies	-	58,932	-	255,807	43,347	51,221	409,307
Printing	40,275	45,199	44,235	60,292	32,595	39,285	261,881
Postage and Delivery	41,970	47,101	46,097	62,830	33,967	40,938	272,903
Occupancy	14,079	15,801	15,464	21,077	11,393	13,733	91,547
Professional fees	8,415	9,444	9,243	12,598	6,811	8,208	54,719
Repairs and Maintenance	9,219	10,346	10,126	13,801	7,461	8,993	59,946
Insurance	10,962	12,302	12,040	16,410	8,871	10,692	71,277
Miscellaneous Expense	8,241	9,248	9,051	12,337	6,669	8,038	53,584
Donations	-	3,514	-	-	-	-	3,514
Travel	6,819	7,653	7,490	10,208	5,519	6,651	44,340
Advertising	564	633	620	845	457	551	3,670
Total	<u>\$ 223,550</u>	<u>\$ 313,327</u>	<u>\$ 245,535</u>	<u>\$ 590,466</u>	<u>\$ 224,267</u>	<u>\$ 269,276</u>	<u>\$ 1,866,421</u>
Percent of total expenses	<u>9.90%</u>	<u>13.88%</u>	<u>10.88%</u>	<u>26.16%</u>	<u>9.94%</u>	<u>11.92%</u>	<u>82.68%</u>

Supporting Services

Management and General	Development	Total Supporting Services	2020 Total Expenses	2019 Total Expenses
\$ 7,170	\$ 4,633	\$ 11,803	\$ 551,536	\$ 592,326
-	-	-	409,307	439,595
55,423	143,655	199,078	460,959	460,536
69,359	102,356	171,715	444,618	455,099
1,216	786	2,002	93,549	94,210
727	470	1,197	55,916	53,590
796	515	1,311	61,257	59,626
947	612	1,559	72,836	53,379
712	460	1,172	54,756	48,395
-	-	-	3,514	33,915
589	381	970	45,310	31,292
49	31	80	3,750	3,400
<u>\$ 136,988</u>	<u>\$ 253,899</u>	<u>\$ 390,887</u>	<u>\$ 2,257,308</u>	<u>\$ 2,325,363</u>
<u>6.07%</u>	<u>11.25%</u>	<u>17.32%</u>	<u>100.00%</u>	

Alley Cat Rescue, Inc.
Statements of Cash Flows
For the Years Ended July 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (108,042)	\$ 122,035
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	10,961	12,486
Unrealized loss on investments	16,973	11,282
Donated securities	-	(19,831)
Change in assets and liabilities		
Decrease (increase) in contributions receivable	169,142	(194,941)
(Increase) in inventory	(14,609)	(6,124)
(Increase) in prepaid expenses	(18,085)	(4,325)
(Increase) decrease in loan to employees	(100)	200
(Decrease) increase in accounts payable	(36,067)	27,056
Increase in accrued expenses	9,727	1,927
	<u>29,900</u>	<u>(46,392)</u>
Net Cash Provided By (Used In) Operating Activities		
Cash Flows From Investing Activities		
Acquisition of property, plant, and equipment	(1,200)	(5,997)
Reinvestment of interest and dividends	(9,194)	(7,997)
	<u>(10,394)</u>	<u>(13,994)</u>
Net Cash Used In Investing Activities		
Cash Flows From Financing Activities		
Proceeds from the Paycheck Protection Program loan	100,000	-
Curtailement of charitable annuity obligations	(1,168)	3,843
Curtailement of mortgage payable	(10,818)	(14,472)
	<u>88,014</u>	<u>(10,629)</u>
Net Cash Provided By (Used In) Financing Activities		
Net Increase (Decrease) in Cash and Cash Equivalents	107,520	(74,858)
Cash and Cash Equivalents, Beginning of Year	766,410	841,268
Cash and Cash Equivalents, End of Year	<u>\$ 873,930</u>	<u>\$ 766,410</u>
Supplemental Disclosure of Cash Flows Information:		
Interest paid during the year	<u>9,133</u>	<u>10,746</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, 2020 and 2019

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.

Promote Spay and Neuter

ACR offers a low-cost spay/neuter clinic to low income residents of Maryland, Virginia, and Washington, DC.

Adoption Program

ACR's adoption program finds loving, furrever homes for about 250 cats and kittens each year. ACR finds homes for abandoned, stray, and relinquished cats. ACR also socialize feral kittens and work to find barn homes for feral cats. Prior to adoption, all cats receive a medical evaluation, including sterilization, vaccinations, testing, and are treated for parasites. All cats and kittens also undergo a temperament analysis prior to re-homing. If a cat or kitten is unable to be socialized, ACR will find a barn home. For friendly cats, ACR partners with a local store with a national affiliation to function as an adoption center. This innovative adoption program has helped thousands of stray and abandoned cats find good homes.

Education and Public Relations

For many years, ACR has been engaged in promoting humane solutions resolving the complex issues of cat overpopulation, especially those relating to feral cats. They are often classified as "non-native" species, despite that they have been living in a feral state in the United States for almost 500 years.

ACR's programs and campaigns to end the killing of healthy stray and feral cats in local shelters are diverse. They range from actual, hands-on trapping and sterilization of cats, to running low-cost spay clinics for companion cats, as well as promoting education and public relations to help cats.

ACR is constantly working to put an end to the myths and misinformation surrounding these innocent creatures. When cats are considered nothing more than "pests" and "nuisances," this current trend of scapegoating dangerously fosters and promotes cruelty to animals.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 1 Organization, (continued)

Education and Public Relations, (continued)

ACR believes that ALL animals, whether "exotic," "alien," or "introduced," deserve respect and compassion, and if humane, non-lethal methods for controlling their populations are offered, then these should be the preferred methods--instead of out-dated, inhumane, lethal eradication techniques.

Prevention

ACR provides the public with the most pertinent information regarding proper cat care, humane population control, zoonotic disease prevention, and humane treatment of all animals. They also keep cats out of the shelter system, thus reducing euthanasia.

Newsletters and Publications

ACR routinely publishes newsletters and other mailing to disseminate information about ACR and what they are doing in the community.

National Cat Action Teams

National Cat Action Teams, or CAT, 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.

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.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies, (continued)

Basis of Presentation, (continued)

Net Assets With Donor Restrictions – All of ACR’s 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. ACR reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions are satisfied (that is when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the contribution is received. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. 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.

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, 2020 and 2019, 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, 2020 and 2019, 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.

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.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

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.

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.

Contributions

ACR records the following types of contributions as revenue when they are received, at their fair value: cash, promises to give, and gifts of long-lived and other assets. Conditional contributions are recognized as revenue when the conditions on which they depend have been substantially met. At July 31, 2020 and 2019, no significant conditional contributions existed. All contributions are considered to be available for unrestricted use, unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

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

Contributions, (continued)

as net assets with donor restrictions. Unconditional promises to give are recorded at their net realizable value.

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, 2020, 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, 2020 and 2019.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 2 Summary of Significant Accounting Policies, (continued)

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.

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:

	2020	2019
Cash and cash equivalents	\$ 873,930	\$ 766,410
Certificates of deposit	19,859	19,836
Contributions receivable	237,904	407,046
	1,131,693	1,193,292
Less: Donor restricted funds and therefore unavailable for general expenditures	(272,895)	(435,651)
Financial assets available, at year end	\$ 858,798	\$ 757,641

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, 2020 and 2019

Note 4 Investments

Investments are comprised of cash and equity securities. 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, 2020 and 2019:

	2020		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 19,859	\$ -	\$ -
Money market funds	26,058		
Equity securities	<u>155,823</u>	<u>-</u>	<u>-</u>
Total	<u><u>201,740</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
	2019		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	\$ 19,836	-	-
Money market funds	17,917		
Equity securities	<u>171,766</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 209,519</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Realized and unrealized gains and losses are included in the statement of activities as part of investment income.

	<u>2020</u>	<u>2019</u>
Net unrealized loss on investments	\$ (16,971)	\$ (11,282)
Reinvestment of interest and dividends	<u>9,657</u>	<u>8,508</u>
Investment loss	<u><u>\$ (7,314)</u></u>	<u><u>\$ (2,774)</u></u>

During years ended July 31, 2020 and 2019, ACR recognized income of \$0 and \$19,831 from donated stocks, respectively.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 5 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, 2020 and 2019 respectively, are as follows:

	<u>2020</u>	<u>2019</u>
Legacy and bequests receivables	\$ 128,086	\$ 264,592
Federated and non-federated campaigns	59,271	38,443
Grants	50,000	100,000
Other receivables	<u>547</u>	<u>4,011</u>
 Total	 <u><u>\$ 237,904</u></u>	 <u><u>\$ 407,046</u></u>

Note 6 Property Plant and Equipment

Property, plant, and equipment at July 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Autos	\$ 16,995	\$ 16,995
Furniture and Fixtures	29,229	28,029
Website Development	9,899	9,899
Building and improvements	251,526	251,526
Land	<u>140,061</u>	<u>140,061</u>
Subtotal	447,710	446,510
Less: Accumulated Depreciation	<u>84,252</u>	<u>73,291</u>
 Total	 <u><u>\$ 363,458</u></u>	 <u><u>\$ 373,219</u></u>

Depreciation expense for the years ended July 31, 2020 and 2019 amounted to \$10,961 and \$12,486, respectively.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 7 **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.

There were no new charitable gift annuity obligations entered into during the year ended July 31, 2020.

For the year ended July 31, 2020, the present value of the annuities totaled \$10,312, of which \$1,227 and \$9,085 are recorded as a current liability and a long-term liability, respectively.

For the year ended July 31, 2019, the present value of the annuities totaled \$11,480, of which \$1,412 and \$10,068 are recorded as a current liability and a long-term liability, respectively.

Note 8 **Paycheck Protection Program Loan**

On May 8, 2020, ACR received loan proceeds in the amount of \$100,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business.

The loans and accrued interest are forgivable after twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty four-week period.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 8 Paycheck Protection Program Loan, continued

Since the loan was issued prior to June 5, 2020, the unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for ten months after the end of the covered period for the borrower's loan forgiveness (in this case that is equal to 24 weeks). As of July 31, 2020, since forgiveness has not yet been applied for, the remaining loan balance of \$100,000 is payable in monthly installments of \$7,789. The following are maturities of the PPP loan payable for each of the next five years:

July 31, 2021	\$	-
July 31, 2022		37,266
July 31, 2023		50,124
July 31, 2024		12,610
July 31, 2025		<u>-</u>
 Total	 \$	 <u><u>100,000</u></u>

ACR intends to use the proceeds for purposes consistent with the PPP. As of July 31, 2020, no determination has been made as to whether ACR is eligible for forgiveness, in whole or in part. However, ACR currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, in whole or in part.

Note 9 Net Assets with Donor Restrictions

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

	<u>2020</u>	<u>2019</u>
Net assets with donor restrictions		
Time restricted	\$ 187,904	\$ 307,314
Purpose restricted	<u>84,990</u>	<u>128,337</u>
 Total net assets with donor restrictions	 <u><u>\$ 272,894</u></u>	 <u><u>\$ 435,651</u></u>
 Net assets released from donor restrictions		
Due to the passage of time	\$ 245,664	\$ 145,541
Due to satisfaction of purpose restrictions	<u>43,347</u>	<u>26,446</u>
 Total net assets released from donor restrictions	 <u><u>\$ 289,011</u></u>	 <u><u>\$ 171,987</u></u>

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 10 Allocation of Joint Costs

During the years ended July 31, 2020 and 2019, 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 \$781,761 and \$774,237, respectively, for the years ended July 31, 2020 and 2019.

The joint costs were allocated as follows:

	2020	2019
Program expense	\$ 489,049	\$ 453,995
Development expense	186,511	206,805
Mangement and General	106,201	113,437
Total joint costs	\$ 781,761	\$ 774,237

Note 11 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:

	2020	2019
Merchandise sales	\$ 15,093	\$ 22,445
Cost of goods sold	3,769	6,618
Gross profit	\$ 11,324	\$ 15,827

Note 12 Concentration of Credit Risk

ACR maintains multiple bank accounts at an institution that is insured by Federal Deposit Insurance Corporation (FDIC) up to \$250,000. From time to time the balance in the account may exceed federally insured limits. As of July 31, 2020 and 2019, bank balances held exceeded the FDIC limit by \$619,950 and \$343,080, respectively. ACR has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on cash.

Alley Cat Rescue, Inc.
Notes to Financial Statements
July 31, 2020 and 2019

Note 13 **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, 2020 through February 3, 2021, 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.