

ANIMAL FRIENDS ALLIANCE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2020 AND 2019

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Animal Friends Alliance
Fort Collins, Colorado

We have audited the accompanying financial statements of Animal Friends Alliance (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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 Animal Friends Alliance as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

We want to draw your attention to the fact that the financial statements for the year ending December 31, 2019, which were audited by us, were for the Fort Collins Cat Rescue & Spay/Neuter Clinic dba Animal Friends Alliance and, except for the statement of financial position, the resulting statements did not include the activities of Animal House Pets & Grooming. The financial statements for the year ending December 31, 2020 include the activities of the two merged entities mentioned in Note 1 to the financial statements.

Cindy McGrorey

Cindy McGrorey, CPA, LLC
Certified Public Accountant

April 21, 2021

ANIMAL FRIENDS ALLIANCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

| | 2020 | (pre-merger) 2019 |
|---|--------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 1,022,109 | \$ 509,329 |
| Accounts Receivable (net) | 4,453 | 3,110 |
| Capital Campaign Pledges Receivable | 372,095 | - |
| Inventory | 11,449 | 10,670 |
| Prepaid Expenses | 38,134 | 39,808 |
| Total Current Assets | 1,448,240 | 562,917 |
| Other Assets: | | |
| Property and Equipment | 2,267,583 | 1,897,034 |
| Less: Accumulated Depreciation | (275,901) | (187,416) |
| Net Property and Equipment | 1,991,682 | 1,709,618 |
| Assets held at Community Foundation | 19,713 | 17,466 |
| TOTAL ASSETS | \$ 3,459,635 | \$ 2,290,001 |
| LIABILITIES & NET ASSETS | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 93,012 | \$ 47,842 |
| Accrued Payroll Liabilities | 112,025 | 74,988 |
| Deferred Event Income | - | 4,500 |
| Current Portion of Notes Payable | 38,060 | 25,147 |
| Current Portion of Capital Lease | - | 2,467 |
| Total Current Liabilities | 243,097 | 154,944 |
| Long Term Portion of Notes Payable | 1,092,204 | 968,871 |
| TOTAL LIABILITIES | 1,335,301 | 1,123,815 |
| NET ASSETS: | | |
| Without Donor Restrictions | 1,517,972 | 1,013,220 |
| With Donor Restrictions | 606,362 | 152,966 |
| TOTAL NET ASSETS | 2,124,334 | 1,166,186 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,459,635 | \$ 2,290,001 |

**ANIMAL FRIENDS ALLIANCE
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31,**

| | 2020 | | | (pre-merger) 2019 | | |
|--|-------------------------------|----------------------------|---------------------|-------------------------------|----------------------------|---------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| REVENUE: | | | | | | |
| Clinic income | \$ 631,511 | \$ - | \$ 631,511 | \$ 643,692 | \$ - | \$ 643,692 |
| Shelter income | 630,851 | - | 630,851 | 330,905 | - | 330,905 |
| Grooming Services | 196,558 | - | 196,558 | - | - | - |
| Merchandise sales, net | 13,704 | - | 13,704 | 15,353 | - | 15,353 |
| Other Income | 12,403 | - | 12,403 | 19,043 | - | 19,043 |
| TOTAL REVENUE: | <u>1,485,027</u> | <u>-</u> | <u>1,485,027</u> | <u>1,008,993</u> | <u>-</u> | <u>1,008,993</u> |
| PUBLIC SUPPORT: | | | | | | |
| Grants | 109,760 | 423,265 | 533,025 | 103,786 | 289,300 | 393,086 |
| Contributions | 1,106,449 | 568,965 | 1,675,414 | 620,584 | 400 | 620,984 |
| Fundraisers, net | 123,576 | - | 123,576 | 101,950 | - | 101,950 |
| In-kind contributions | 269,000 | - | 269,000 | 245,477 | - | 245,477 |
| Released from restrictions | 538,834 | (538,834) | - | 164,799 | (164,799) | - |
| TOTAL PUBLIC SUPPORT: | <u>2,147,619</u> | <u>453,396</u> | <u>2,601,015</u> | <u>1,236,596</u> | <u>124,901</u> | <u>1,361,497</u> |
| TOTAL PUBLIC SUPPORT AND REVENUE: | <u>3,632,646</u> | <u>453,396</u> | <u>4,086,042</u> | <u>2,245,589</u> | <u>124,901</u> | <u>2,370,490</u> |
| EXPENSES: | | | | | | |
| Program Services: | | | | | | |
| Animal care | 2,674,276 | - | 2,674,276 | 1,810,496 | - | 1,810,496 |
| Support Services: | | | | | | |
| Management and general | 246,929 | - | 246,929 | 211,944 | - | 211,944 |
| Fundraising | 266,969 | - | 266,969 | 191,192 | - | 191,192 |
| TOTAL EXPENSES: | <u>3,188,174</u> | <u>-</u> | <u>3,188,174</u> | <u>2,213,632</u> | <u>-</u> | <u>2,213,632</u> |
| CHANGE IN NET ASSETS | \$ 444,472 | \$ 453,396 | \$ 897,868 | 31,957 | 124,901 | 156,858 |
| Equity Increase from transfer of assets | 60,280 | | 60,280 | 468,414 | | 468,414 |
| NET ASSETS Beginning of year | <u>1,013,220</u> | <u>152,966</u> | <u>1,166,186</u> | <u>512,849</u> | <u>28,065</u> | <u>540,914</u> |
| NET ASSETS End of year | <u>\$ 1,517,972</u> | <u>\$ 606,362</u> | <u>\$ 2,124,334</u> | <u>\$ 1,013,220</u> | <u>\$ 152,966</u> | <u>\$ 1,166,186</u> |

**ANIMAL FRIENDS ALLIANCE
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,**

| | 2020 | (pre-merger) 2019 |
|--|--------------|----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 897,868 | \$ 156,858 |
| Adjustment for non-cash items: | | |
| Depreciation | 67,518 | 23,209 |
| Unrealized (gain) loss on investments | (1,960) | 454 |
| Donations of capital assets | (6,000) | (45,659) |
| Decrease (increase) in accounts receivable | (1,343) | (1,814) |
| Decrease (increase) in pledges & grants receivable | (372,095) | 8,538 |
| Decrease (increase) in inventory | (779) | 2,517 |
| Decrease (increase) in prepaid expenses | 1,674 | (15,665) |
| Increase (decrease) in accounts payable | 45,170 | 28,808 |
| Increase (decrease) in accrued expenses | 37,037 | 32,141 |
| Increase (decrease) in deferred income | (4,500) | (12,000) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | 662,590 | 177,387 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of facility | (48,460) | (24,703) |
| Capital improvements | (120,089) | - |
| Purchases of furniture and equipment | (4,643) | - |
| Cash acquired from merger activity | 41,767 | - |
| Additions to long-term investment | (286) | (3,626) |
| NET CASH FLOWS FROM INVESTING ACTIVITIES | (131,711) | (28,329) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Principal payments on mortgage notes | (16,695) | (7,890) |
| Cash received from refinancing | 1,063 | - |
| Payments on capital lease obligations | (2,467) | (2,927) |
| NET CASH FLOWS FROM FINANCING ACTIVITIES | (18,099) | (10,817) |
| NET INCREASE IN CASH | 512,780 | 138,241 |
| CASH BALANCE Beginning of year | 509,329 | 371,088 |
| CASH BALANCE End of year | \$ 1,022,109 | \$ 509,329 |
| Interest Paid | \$ 45,151 | \$ 10,170 |
| Taxes Paid | \$ - | \$ - |

ANIMAL FRIENDS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

| | <u>Program</u> | | <u>Support Services</u> | | <u>Total</u> |
|---------------------------------|----------------------------|-----------------------------------|--------------------------|--|----------------------------|
| | <u>Animal Care</u> | <u>Management and General</u> | <u>Fund Raising</u> | | |
| Advertising | \$ 20,115 | \$ - | \$ 3,551 | | \$ 23,666 |
| Animal transportation | 26,194 | - | - | | 26,194 |
| Bank charges | 18,085 | 7,234 | 10,850 | | 36,169 |
| Contract labor | 18,511 | 14,520 | 14,475 | | 47,506 |
| Depreciation | 56,594 | 5,645 | 5,279 | | 67,518 |
| Donated services | 62,682 | 12,000 | 12,230 | | 86,912 |
| Event expenses | 3,370 | - | 4,491 | | 7,861 |
| Facility maintenance | 28,018 | 1,939 | 1,252 | | 31,209 |
| Fundraising expenses | - | - | 36,614 | | 36,614 |
| General business expenses | 14,146 | 5,926 | 1,520 | | 21,592 |
| Insurance | 33,160 | 1,159 | 1,465 | | 35,784 |
| Interest expense | 41,722 | 3,429 | - | | 45,151 |
| Licenses/dues/registrations | 6,029 | 1,571 | 334 | | 7,934 |
| Personnel: salaries | 1,490,765 | 148,693 | 139,052 | | 1,778,510 |
| Personnel: payroll taxes | 105,305 | 10,503 | 9,823 | | 125,631 |
| Personnel: employee benefits | 59,943 | 5,979 | 5,592 | | 71,514 |
| Postage & printing | 8,509 | 2,796 | 7,111 | | 18,416 |
| Rent and condo fees | 43,525 | 4,341 | 4,060 | | 51,926 |
| Supplies: office | 12,365 | 5,822 | 2,124 | | 20,311 |
| Supplies: medical | 311,603 | - | - | | 311,603 |
| Supplies: clinic and shelter | 189,700 | - | - | | 189,700 |
| Staff and volunteer development | 8,836 | 13,307 | 1,114 | | 23,257 |
| Telephone and internet | 23,800 | 951 | 3,804 | | 28,555 |
| Utilities | 18,938 | 1,114 | 2,228 | | 22,280 |
| Veterinary care and services | 72,361 | - | - | | 72,361 |
| Total Expenses | <u>\$ 2,674,276</u> | <u>\$ 246,929</u> | <u>\$ 266,969</u> | | <u>\$ 3,188,174</u> |

FORT COLLINS CAT RESCUE & SPAY/NEUTER CLINIC
dba ANIMAL FRIENDS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

| | <u>Program</u> | <u>Support Services</u> | | <u>Total</u> |
|--------------------------------|-----------------------------------|-----------------------------------|---------------------------------|-----------------------------------|
| | <u>Animal Care</u> | <u>Management and General</u> | <u>Fund Raising</u> | |
| Advertising | \$ 3,049 | \$ 3,378 | \$ 2,157 | \$ 8,584 |
| Bank charges | 17,092 | 3,418 | 2,279 | 22,789 |
| Contract labor | 16,369 | 8,545 | 7,030 | 31,944 |
| Depreciation | 18,567 | 4,642 | - | 23,209 |
| Donated services | 13,370 | 938 | 1,706 | 16,014 |
| Event expenses | 2,069 | - | - | 2,069 |
| Facility maintenance | 41,908 | 1,972 | 21 | 43,901 |
| Fundraising expenses | - | - | 39,782 | 39,782 |
| Insurance | 31,247 | 3,676 | 1,838 | 36,761 |
| Interest expense | 8,284 | 8,230 | - | 16,514 |
| License/dues/registrations | 4,338 | 10,105 | 1,391 | 15,834 |
| Personnel: salaries | 992,937 | 119,171 | 120,188 | 1,232,296 |
| Personnel: payroll taxes | 84,409 | 11,189 | 7,586 | 103,184 |
| Personnel: benefits | 22,901 | 10,309 | - | 33,210 |
| Postage & printing | 5,389 | 1,930 | 1,925 | 9,244 |
| Rent | 21,151 | 8,370 | 1,170 | 30,691 |
| Supplies: office | 24,188 | 3,701 | 1,387 | 29,276 |
| Supplies: medical | 304,543 | - | - | 304,543 |
| Supplies: clinic and shelter | 152,432 | - | - | 152,432 |
| Staff & volunteer appreciation | 15,510 | 6,334 | 57 | 21,901 |
| Telephone and internet | 5,145 | 1,945 | 1,691 | 8,781 |
| Travel & meetings | 3,080 | 3,161 | 519 | 6,760 |
| Utilities | 7,905 | 930 | 465 | 9,300 |
| Vehicle maintenance | 14,613 | - | - | 14,613 |
| Total Expenses | <u><u>\$ 1,810,496</u></u> | <u><u>\$ 211,944</u></u> | <u><u>\$ 191,192</u></u> | <u><u>\$ 2,213,632</u></u> |

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2020 and 2019

NOTE 1 – Organization and Nature of Activities

Animal Friends Alliance (the Organization) is a non-profit organization originally incorporated in 2006 as Fort Collins Cat Rescue & Spay/Neuter Clinic (FCCRSNC), which was committed to the well-being and prevention of overpopulation of cats in the northern Colorado communities. On January 1, 2020 FCCRSNC merged with Animal House, which was dedicated to the well-being and prevention of overpopulation of dogs in the northern Colorado community, and became Animal Friends Alliance. Now their primary emphasis is two-fold: the prevention of pet overpopulation through low-cost spay and neutering services for dogs and cats, and the sheltering and placement of surrendered or abandoned cats and dogs into loving, permanent homes. The primary sources of funding for Animal Friends Alliance include subsidized veterinary services, adoption fees, individual and business contributions, and grants.

The activity presented in these financial statements for the year ended December 31, 2020 is for the combined entity, Animal Friends Alliance, while the financial statements for the year ended December 31, 2019 represents activity from Fort Collins Cat Rescue & Spay/Neuter Clinic services only.

Animal Friends Alliance is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting and Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles.

The Organization presents its financial statements in accordance with the FASB Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. Accordingly, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets without Donor Restrictions are those assets currently available at the discretion of the Board of Directors for use in the Organization's operations. These assets may include funds that were received without donor restrictions but have been designated by the Board of Directors for specific programs or purposes.

Net Assets with Donor Restrictions are those assets restricted by donors specifically for certain time periods, purposes or programs. When the restriction stipulation ends or is accomplished, the donor restriction is removed and the net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. These assets may include temporarily and permanently restricted net assets.

(continued)

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2020 and 2019

NOTE 2 - Summary of Significant Accounting Policies (continued)

Cash

For purposes of balance sheet presentation and reporting of cash flows, the Organization considers all cash on hand and unrestricted demand deposits as cash. At times throughout the year, the Company's cash balance may exceed amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Restrictions on cash is detailed in Note 6 and consists of the amount of cash necessary to fulfill unspent donor-imposed restrictions on net assets.

Accounts Receivable

The Organization requires payment at the time services are rendered. Therefore, accounts receivable balances are historically very low. They are recorded net of any allowance for bad debts, which is based on historical experience combined with a review of the current status of existing receivables. The allowance at December 31, 2020 and 2019 was \$0.

Pledges Receivable

Pledges receivable consist of outstanding balances on unconditional promises to pay that were made by donors prior to year-end. Per generally accepted accounting principles for not-for-profits, these pledges are recognized as revenue in the statement of activities in the year in which they are made, and are included as 'net assets *with* donor restrictions' in the statement of financial position. These pledges are related to the capital campaign discussed at Note 10.

Inventory

Inventory is stated at cost, using procedures which approximate the first-in-first-out method of inventory valuation. Inventory consists primarily of pet supplies.

Property and Equipment

Property and equipment purchased by the Organization is recorded at cost. Donated equipment is reported as in-kind contributions and capitalized at fair value on the date of donation. The policy for capitalization is any major asset with a value over \$1,500 and a remaining useful life of three years or more. Depreciation is provided using the straight-line method based upon the estimated useful lives of the assets, which range from three to ten years for furniture, equipment and vehicles and 39 years for real property.

(continued)

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2020 and 2019

NOTE 2 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments

The Organization applies generally accepted accounting principles (GAAP) for fair value measurements of financial instruments that are recognized or disclosed at fair value in the financial statements. The Organization's financial instruments consist of cash, accounts and pledges receivable and the investment with the Community Foundation, all of which are measured at fair value in the statement of financial position. The investment fair value is determined by the instruments' net asset values (NAVs), which are Level 1 measurements in the hierarchy of fair value measures because their fair values are readily determinable (i.e. the instruments can be traded at their published NAVs). None of the financial instruments are held for trading purposes.

Support and Revenue

Animal Friends Alliance receives contributions from individual contributors, corporate sponsors, grants and fundraising events. This support may be received either with or without donor restrictions and is classified in the Statement of Activities as such. When donor restrictions from prior periods expire, net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as Net Assets Released from Restrictions.

Revenue from unconditional grants and contributions is recognized when received or pledged. Revenue from fundraisers and service fees is recognized when received or earned.

Donated Services

Numerous volunteers donate significant time to program services and special events. Per ASC 958-605-30, only donated time that requires specific expertise and would have otherwise been purchased by the organization is reported in the financial statements.

Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities and are detailed out in the statements of functional expenses. Supporting services include management and general expenses that are not directly identifiable with any specific function or program but provide for the overall support and direction of the organization. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. Such allocations are determined by management as follows:

| <u>Expense</u> | <u>Allocation Method</u> |
|-------------------------------|--------------------------|
| Personnel Costs | Time and effort |
| General office and operations | Time and effort |
| Facilities and equipment | Square footage used |
| Program specific costs | Direct costs |

(continued)

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2020 and 2019

NOTE 2 - Summary of Significant Accounting Policies (continued)

Advertising Costs

The Organization expenses all advertising costs as incurred, which were \$23,666 and \$8,584 during the years ended December 31, 2020 and 2019, respectively.

Management Estimates

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

Income Taxes

Animal Friends Alliance is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable Colorado law. In addition, the Organization qualifies as a public charity under Section 170 (b)(1)(A) and is not a private foundation, therefore contributions to the Organization are deductible as charitable contributions.

The Organization files form 990 with federal and state authorities in the state of Colorado. Beginning with the merger of the two entities, the Organization now reports their grooming operations as unrelated business income and pays taxes on that net revenue. The Organization's subsidized veterinary services are not considered unrelated business income as they are substantially related to the Organization's exempt purpose. However, the Organization's form 990 returns are open and subject to examination by the IRS for the years ending December 31, 2017 through 2020.

NOTE 3 - Property and Equipment

Property and equipment, at December 31, consisted of:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------|---------------------|---------------------|
| Land (non-depreciable) | \$ 284,528 | \$ 237,528 |
| Buildings and improvements | 1,730,824 | 1,456,740 |
| Furniture and equipment | 175,119 | 129,154 |
| Vehicles | 77,112 | 73,612 |
| Total Property and Equipment | <u>\$ 2,267,583</u> | <u>\$ 1,897,034</u> |
| Less: Accumulated Depreciation | <u>(275,901)</u> | <u>(187,416)</u> |
| Net Property and Equipment | <u>\$ 1,991,682</u> | <u>\$ 1,709,618</u> |

(continued)

Animal Friends Alliance

**NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

NOTE 4 - Assets Held at Community Foundation

The account Assets held at Community Foundation consists of funds invested with the Community Foundation of Northern Colorado with the Organization as the beneficiary. It is considered a 'quasi-endowment fund' because the intent is for the Community Foundation to make available a portion of the fund balance each year for use by the Organization, although the Organization has the right to request larger distributions from the fund for specific purposes. The funds were invested specifically from donor-restricted donations to the Organization for this purpose. Investment earnings of \$2,221 in 2020 from this investment are included in other income in the statement of activities.

NOTE 5 - Mortgage Notes Payable

The Organization currently has three mortgage notes payable, all with the same financial institution, as follows:

- I. Associated with a refinance of the note on the Taft Hill property and secured by all owned AFA properties:

Original Principal: \$904,532 dated December 31, 2019
Term: 120 months
Change of Terms dated April 9, 2020 (3-month deferment of payments due to Covid)
New Principal: \$896,480
*Initial interest rate: 4.3% for the first 54 payments
Monthly payments (principal and interest): \$5,631.19
Final payment upon maturity (March 30, 2030) of \$564,417.

- II. Associated with the purchase of unit 12A and secured by all owned AFA properties:

Principal: \$87,780 dated October 9, 2020
Term: 120 months
*Initial interest rate: 3.75% for the first 60 payments
Monthly payments (principal and interest): \$523.45

- III. Associated with the purchase of unit 2 and secured by all AFA owned properties:

Principal: \$152,412 dated July 13, 2020
Term: 120 months
*Interest rate: 4.0% for the first 60 payments
Monthly payments (principal and interest): \$928.31

* Each note has a stipulation for an increase in interest rate after the initial period noted based on the FHLB 5-year advance rate plus a margin of 2.25 for the first note and 2.5 for the other 2 notes.

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Animal Friends Alliance

**NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

NOTE 5 – Mortgage Notes Payable (continued)

Future maturities of long-term debt (principal only), as of December 31, 2020, and revised for the new, deferred note terms discussed above, are as follows:

| | |
|------------|--------------------|
| 2021 | \$ 38,060 |
| 2022 | 39,696 |
| 2023 | 41,401 |
| 2024 | 43,181 |
| 2025 | 46,437 |
| Thereafter | <u>921,489</u> |
| Total | <u>\$1,130,264</u> |

NOTE 6 – Net Asset Restrictions and Liquidity

Restrictions on net assets at December 31, 2020 are for the following purposes:

| | |
|--------------------------------------|-------------------|
| 2021 Shelter & Adoption Expenses | \$ 62,918 |
| Spay/Neuter & Community Cat Programs | 11,653 |
| Capital Improvements | 512,078 |
| Endowment Asset | <u>19,713</u> |
| Total Net Assets with Restrictions | <u>\$ 606,362</u> |

Resources available to meet these restrictions are found in the following assets:

| | <u>Pledges Receivable</u> | <u>Available Cash</u> | <u>Endowment Asset</u> |
|-----------------------------|-------------------------------|---------------------------|----------------------------|
| Donor-restricted funds | \$ 372,095 | \$ 234,267 | \$ - |
| Endowment asset | | | 19,713 |
| Unrestricted cash available | <u>-</u> | <u>787,842</u> | <u>-</u> |
| Available resource | <u>\$ 372,095</u> | <u>\$1,022,109</u> | <u>\$ 19,713</u> |

NOTE 7 – In-Kind Contributions

For the years ended December 31, 2020 and 2019, the Organization received non-cash contributions of donated services and supplies in the amounts of \$269,000 and \$168,440, respectively, and \$6,000 and \$77,037 of donated assets. Donated assets are capitalized at their fair market value at the time of donation and depreciated over their estimated remaining useful lives. Donated supplies and services are expensed according to their functional use.

(continued)

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019

NOTE 8 – Special Events

The Organization holds several fundraising events through-out the year, the purpose of which is to both raise funds and raise awareness. Revenue from these events is included in fundraising income, net of directly-related expenses, in the Statement of Activities. The main income-generating fundraiser is the annual Gala fundraiser, which went ‘virtual’ for 2020. Net revenue generated from this annual event was \$100,982 in 2020 and \$101,950 in 2019.

NOTE 9 - Building Leases and Ownership

The feline operations and administrative offices operate out of 11 units located at 2321 E. Mulberry Street in Fort Collins, Colorado. Between 2016 and 2019, FCCRSNC purchased seven of these units, and in 2020 the Organization (Animal Friends Alliance) purchased another unit. Therefore, Animal Friends Alliance owns eight of these units, and continues to lease the other three. Two of the three remaining leases are renewable one-year leases, while the other is a \$300/month, month-to-month lease. The other two leases required combined monthly payments of \$2,460 in 2020 and have both remained at that rate for 2021. These leases both expire in July 2021.

Minimum future lease payments on these leases are as follows:

| Year Ending <u>December 31,</u> | |
|------------------------------------|--------------------|
| 2021 | \$17,220 |
| Thereafter | <u> -</u> |
| | <u>\$17,220</u> |

NOTE 10 – Capital Campaign and Construction Commitments

In October 2020, Animal Friends Alliance launched the silent phase of a capital campaign to expand their animal shelter facilities at 2200 N. Taft Hill Road in Fort Collins. The campaign, called Bringing Paws Together, has a goal of raising \$2.3 million to cover the construction and asset acquisition costs of the expansion as well as the marketing of the campaign. Construction is expected to begin in August of 2021 and be completed in March of 2022. Estimated construction costs are approximately \$2.2 million, although as of the date of this report no contract has been signed. Public launch of the campaign began in March of 2021 when total verbal and written pledges had reached \$1.4 million.

NOTE 11 – Related Party

The Organization’s executive director is an owner of a company that the Organization does business with. Total payments to this company by the Organization totaled \$26,840 in 2020 and \$25,462 in 2019. There were no outstanding balances due to the related party as of December 31, 2020.

(continued)

Animal Friends Alliance

**NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2020 and 2019**

NOTE 12 – Supplemental Disclosures of Non-Cash Transactions

Noncash investing and financing transactions:

| | <u>2020</u> |
|--|-------------|
| Mortgage note acquired for purchase of building – Mulberry Unit 2 | \$ 152,412 |
| Book value of assets acquired during merger: | \$ 18,515 |

NOTE 13 – COVID-19

In response to the global pandemic that broke out in early 2020, the Organization has taken several steps to ensure the safety of its animals and employees and the ongoing viability of Animal Friends Alliance. While the business has been allowed to remain open as an ‘essential business’, non animal-care employees were working remotely from home as much as possible through-out the worst of the pandemic. In order to comply with government mandates and guidelines, all services are by appointment only. Revenue from program services dropped during March and April, but began picking up again in May 2020 and reached normal levels by mid-summer. Thanks to the Payroll Protection Plan (PPP) loan program, the Organization was able to retain all of its employees at normal levels. The PPP loan was received on April 17, 2020, and forgiven in full on December 15, 2020, therefore this ‘loan’ is considered a government grant and recorded as such in the financial statements. Other steps the Organization has taken include applying for emergency grants specifically offered to animal welfare organizations in response to COVID-19, encouraging supporters to become monthly donors through their Animal Advocate Club, and moving all supply drives to online events. It is reasonably possible that the virus could have a prolonged negative effect on operations but as of the date of these financial statements the effect cannot be determined.

NOTE 14 - Subsequent Events

Management has evaluated subsequent events through April 21, 2021, which is the date that the financial statements were available to be issued. It is management’s opinion that no additional events have occurred subsequent to year-end which would require adjustment to financial statements or disclosure, except as included therein.