

ANIMAL FRIENDS ALLIANCE
AUDITED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Animal Friends Alliance
Fort Collins, Colorado

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the year 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 Animal Friends Alliance as of December 31, 2021 and 2020, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Animal Friends Alliance and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the 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 Animal Friends Alliance's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 auditor's 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Animal Friends Alliance'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 Animal Friends Alliance's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cindy McGrorey CPA

Cindy McGrorey, CPA, LLC
Certified Public Accountant

March 31, 2022

ANIMAL FRIENDS ALLIANCE
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31,

ASSETS	2021	2020
Current Assets:		
Cash	\$ 1,603,933	\$ 1,022,109
Accounts Receivable (net)	4,062	4,453
Capital Campaign Pledges Receivable	585,424	372,095
Inventory	9,217	11,449
Prepaid Expenses	17,782	38,134
Total Current Assets	2,220,418	1,448,240
Other Assets:		
Property and Equipment	2,419,311	2,267,583
Less: Accumulated Depreciation	(336,478)	(275,901)
Net Property and Equipment	2,082,833	1,991,682
Assets held at Community Foundation	23,496	19,713
TOTAL ASSETS	\$ 4,326,747	\$ 3,459,635
LIABILITIES & NET ASSETS		
Current Liabilities:		
Accounts Payable	\$ 73,709	\$ 93,012
Accrued Payroll Liabilities	121,952	112,025
Current Portion of Notes Payable	39,695	38,060
Total Current Liabilities	235,356	243,097
Long Term Portion of Notes Payable	1,052,727	1,092,204
TOTAL LIABILITIES	1,288,083	1,335,301
NET ASSETS:		
Without Donor Restrictions	1,617,623	1,517,972
With Donor Restrictions	1,421,041	606,362
TOTAL NET ASSETS	3,038,664	2,124,334
TOTAL LIABILITIES AND NET ASSETS	\$ 4,326,747	\$ 3,459,635

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

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE:						
Clinic income	\$ 763,873	\$ -	\$ 763,873	\$ 631,511	\$ -	\$ 631,511
Shelter income	734,281	-	734,281	630,851	-	630,851
Grooming Services	148,235	-	148,235	196,558	-	196,558
Merchandise sales, net	17,025	-	17,025	13,704	-	13,704
Other Income	23,732	-	23,732	12,403	-	12,403
TOTAL REVENUE:	<u>1,687,146</u>	<u>-</u>	<u>1,687,146</u>	<u>1,485,027</u>	<u>-</u>	<u>1,485,027</u>
PUBLIC SUPPORT:						
Grants	99,483	294,429	393,912	109,760	423,265	533,025
Contributions	997,887	940,537	1,938,424	1,106,449	568,965	1,675,414
Fundraisers, net	176,660	-	176,660	123,576	-	123,576
In-kind contributions	231,343	-	231,343	269,000	-	269,000
Released from restrictions	420,287	(420,287)	-	538,834	(538,834)	-
TOTAL PUBLIC SUPPORT:	<u>1,925,660</u>	<u>814,679</u>	<u>2,740,339</u>	<u>2,147,619</u>	<u>453,396</u>	<u>2,601,015</u>
TOTAL PUBLIC SUPPORT AND REVENUE:	3,612,806	814,679	4,427,485	3,632,646	453,396	4,086,042
EXPENSES:						
Program Services:						
Animal care	2,999,347	-	2,999,347	2,674,276	-	2,674,276
Support Services:						
Management and general	179,619	-	179,619	246,929	-	246,929
Fundraising	334,189	-	334,189	266,969	-	266,969
TOTAL EXPENSES:	<u>3,513,155</u>	<u>-</u>	<u>3,513,155</u>	<u>3,188,174</u>	<u>-</u>	<u>3,188,174</u>
CHANGE IN NET ASSETS	\$ 99,651	\$ 814,679	\$ 914,330	\$ 444,472	\$ 453,396	\$ 897,868
Equity Increase from transfer of assets	-	-	-	60,280	-	60,280
NET ASSETS Beginning 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>
NET ASSETS End of year	<u>\$ 1,617,623</u>	<u>\$ 1,421,041</u>	<u>\$ 3,038,664</u>	<u>\$ 1,517,972</u>	<u>\$ 606,362</u>	<u>\$ 2,124,334</u>

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 914,330	\$ 897,868
Adjustment for non-cash items:		
Depreciation	67,373	67,518
Unrealized gain on investments	(3,444)	(1,960)
Donations of capital assets	-	(6,000)
Decrease (increase) in accounts receivable	391	(1,343)
Decrease (increase) in pledges & grants receivable	(213,329)	(372,095)
Decrease (increase) in inventory	2,232	(779)
Decrease (increase) in prepaid expenses	20,352	1,674
Increase (decrease) in accounts payable	(19,303)	45,170
Increase (decrease) in accrued expenses	9,927	37,037
NET CASH FLOWS FROM OPERATING ACTIVITIES	778,529	667,090
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of facility	-	(48,460)
Capital improvements	(158,525)	(120,089)
Purchases of furniture and equipment	-	(4,643)
Cash acquired from merger activity	-	41,767
Additions to long-term investment	(339)	(286)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(158,864)	(131,711)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes	(37,841)	(16,695)
Cash received from refinancing	-	1,063
Payments on capital lease obligations	-	(2,467)
NET CASH FLOWS FROM FINANCING ACTIVITIES	(37,841)	(18,099)
NET INCREASE IN CASH	581,824	517,280
CASH BALANCE Beginning of year	1,022,109	509,329
CASH BALANCE End of year	\$ 1,603,933	\$ 1,026,609
Interest Paid	\$ 47,218	\$ 45,151
Taxes Paid	\$ -	\$ -

ANIMAL FRIENDS ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Support Services</u>		<u>Total</u>
	<u>Animal Care</u>	<u>Management and General</u>	<u>Fund Raising</u>	
Animal transportation	\$ 18,352	\$ -	\$ -	\$ 18,352
Bank charges	38,864	1,943	7,773	48,580
Contract labor	44,098	1,500	18,400	63,998
Depreciation	60,636	6,737	-	67,373
Donated services	50,642	2,665	-	53,307
Donated supplies	169,134	7,121	1,780	178,035
Facility maintenance	45,578	1,920	960	48,458
Fundraising expenses	-	-	72,240	72,240
General business expenses	17,246	2,482	1,298	21,026
Insurance	33,332	1,976	3,724	39,032
Interest expense	40,135	7,083	-	47,218
License/dues/registrations	7,831	2,577	1,224	11,632
Personnel: salaries	1,702,685	100,957	190,224	1,993,866
Personnel: payroll taxes	132,206	7,839	14,770	154,815
Personnel: benefits	64,612	21,445	7,180	93,237
Postage & printing	12,714	3,860	3,040	19,614
Program advertising	15,927	-	-	15,927
Rent and condo fees	47,649	3,885	3,885	55,419
Supplies: office	15,514	1,589	953	18,056
Supplies: veterinary & medical	392,624	-	-	392,624
Supplies: shelter & grooming	23,340	-	-	23,340
Telephone and internet	32,799	2,698	5,396	40,893
Utilities	24,154	1,342	1,342	26,838
Volunteer program	9,275	-	-	9,275
Total Expenses	\$ 2,999,347	\$ 179,619	\$ 334,189	\$ 3,513,155

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

	<u>Program</u>		<u>Support Services</u>		<u>Total</u>
	<u>Animal</u>	<u>Management</u>	<u>Fund</u>		
	<u>Care</u>	<u>and General</u>	<u>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 developmen	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>

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS Years Ended December 31, 2021 and 2020

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.

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, 2021 and 2020

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, 2021 and 2020 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, 2021 and 2020

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, 2021 and 2020

NOTE 2 - Summary of Significant Accounting Policies (continued)

Advertising Costs

The Organization expenses all advertising costs as incurred, which were \$20,934 and \$23,666 during the years ended December 31, 2021 and 2020, 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, 2018 through 2021.

NOTE 3 - Property and Equipment

Property and equipment, at December 31, consisted of:

	<u>2021</u>	<u>2020</u>
Land (non-depreciable)	\$ 284,528	\$ 284,528
Buildings and improvements	1,889,348	1,730,824
Furniture and equipment	168,323	175,119
Vehicles	77,112	77,112
Total Property and Equipment	<u>\$ 2,419,311</u>	<u>\$ 2,267,583</u>
Less: Accumulated Depreciation	<u>(336,478)</u>	<u>(275,901)</u>
Net Property and Equipment	<u>\$ 2,082,833</u>	<u>\$ 1,991,682</u>

(continued)

Animal Friends Alliance

**NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020**

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, while the remainder of the fund is expected to remain in perpetuity. The amount of funds available for distribution at December 31, 2021 is \$2,905. The Organization does, however, have the right to request larger distributions from the fund for specific purposes if the need arises. The funds were invested specifically from donor-restricted donations to the Organization for this purpose. Investment earnings of \$3,783 in 2021 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 the purchase of the Taft Hill property and refinancing of some Mulberry units, and secured by all owned AFA properties:

Original Principal: \$904,532 dated December 30, 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.

(continued)

Animal Friends Alliance

NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020

NOTE 5 – Mortgage Notes Payable (continued)

Future maturities of long-term debt (principal only), as of December 31, 2021, and revised for the new, deferred note terms discussed above, are as follows:

2022	\$ 39,695
2023	41,401
2024	43,181
2025	46,437
2026	48,229
Thereafter	<u>873,479</u>
Total	<u>\$1,092,422</u>

NOTE 6 – Net Asset Restrictions and Liquidity

Restrictions on net assets at December 31, 2021 are for the following purposes:

2022 Shelter & Adoption Expenses	\$ 39,078
Spay/Neuter & Community Cat	4,000
Capital Improvements	1,357,372
Endowment Asset	<u>20,591</u>

Total Net Assets with Restrictions \$ 1,421,041

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

	<u>Pledges</u> <u>Receivable</u>	<u>Available</u> <u>Cash</u>	<u>Endowment</u> <u>Assets</u>
Donor-restricted funds	\$ 585,424	\$ 771,948	\$ 20,591
Available endowment funds	-	-	2,905
Unrestricted cash available	<u>-</u>	<u>831,985</u>	<u>-</u>
Available resource	<u>\$ 585,424</u>	<u>\$1,603,933</u>	<u>\$ 23,496</u>

NOTE 7 – In-Kind Contributions

For the years ended December 31, 2021 and 2020, the Organization received non-cash contributions of donated services and supplies in the amounts of \$231,343 and \$269,000, respectively, and \$0 and \$6,000 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, 2021 and 2020

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 and 2021. Net revenue generated from this annual event was \$118,796 in 2021 and \$100,982 in 2020.

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. Animal Friends Alliance owns eight of these units, and leases the other three. Two of the three remaining leases are renewable one-year leases, while the other is a nominal, month-to-month lease. The two 1-year leases required combined monthly payments of \$2,460 in 2021 and have both increased slightly for a new combined rate of \$2,520 for 2021. These leases both expire in July 2022.

Minimum future lease payments on these leases are as follows:

Year Ending <u>December 31,</u>	
2022	\$17,640
Thereafter	<u> -</u>
	<u>\$17,640</u>

NOTE 10 – Capital Campaign and Construction Commitments

In March of 2021, Animal Friends Alliance launched a capital campaign to expand their animal shelter facilities at 2200 N. Taft Hill Road in Fort Collins. The campaign, called Bringing Paws Together, initially had 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. Preliminary engineering, architecture and utility expansion work has been completed, facility construction and expansion has begun, and the expected completion date is November of 2022. Estimated total cost of the project is approximately \$2.6 million. As of the December 31, 2021, \$1.6 million has been raised through grants, contributions and pledges, and the campaign is ongoing.

NOTE 11 – Related Party

The Organization’s executive director was an owner of a company that the Organization did business with in 2021 and 2020. Total payments to this company by the Organization totaled \$6,653 in 2021 and \$26,840 in 2020. There were no outstanding balances due to the related party as of December 31, 2021.

(continued)

Animal Friends Alliance

**NOTES TO FINANCIAL STATEMENTS
Years Ended December 31, 2021 and 2020**

NOTE 12 – Sale of Grooming Division

In 2021, the organization and the grooming manager made the decision to cease offering grooming services. In September of 2021 the grooming equipment and client base was sold for \$1,500 to Pups on the Poudre Grooming and is no longer affiliated with Animal Friends Alliance.

NOTE 13 - Subsequent Events

Management has evaluated subsequent events through March 31, 2022, 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.