

Friends for Animals of Metro Detroit

Financial Statements

December 31, 2020 and 2019

Friends for Animals of Metro Detroit

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Independent Auditors' Report

To the Board of Directors of
Friends for Animals of Metro Detroit

We have audited the accompanying financial statements of Friends for Animals of Metro Detroit (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, cash flows and functional expenses 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 auditors' 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 the Organization as of December 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.

Baker Tilly US, LLP

Southfield, Michigan
September 30, 2021

Friends for Animals of Metro Detroit

Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,040,886	\$ 1,782,322
Accounts receivable, net	305	120
Promises to give, net of long-term portion	116,000	241,000
Grants receivable	-	9,984
Inventories	3,870	4,365
Prepaid expenses	<u>10,916</u>	<u>15,193</u>
Total current assets	2,171,977	2,052,984
Property and Equipment, Net	<u>4,070,776</u>	<u>4,230,582</u>
Other Assets		
Promises to give, net of current portion and discount	-	984
Investments	<u>632,505</u>	<u>559,623</u>
Total other assets	<u>632,505</u>	<u>560,607</u>
Total assets	<u>\$ 6,875,258</u>	<u>\$ 6,844,173</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 7,030	\$ 19,232
Accrued expenses	32,934	22,641
Current maturities of long-term debt	<u>40,418</u>	<u>-</u>
Total current liabilities	80,382	41,873
Long-Term Liabilities		
Long-term debt, net of current maturities	<u>156,682</u>	<u>-</u>
Total liabilities	<u>237,064</u>	<u>41,873</u>
Net Assets		
Net assets without donor restrictions	5,167,584	5,638,644
Net assets with donor restrictions	<u>1,470,610</u>	<u>1,163,656</u>
Total net assets	<u>6,638,194</u>	<u>6,802,300</u>
Total liabilities and net assets	<u>\$ 6,875,258</u>	<u>\$ 6,844,173</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Statement of Activities

Year Ended December 31, 2020

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
New shelter contributions	\$ -	\$ 291,708	\$ 291,708
Other donations	480,637	-	480,637
Special events, net of expenses	281,693	-	281,693
Giving programs	224,930	-	224,930
Adoption fees and animal care	97,899	-	97,899
Donated services	34,941	-	34,941
City of Dearborn revenue	140,000	-	140,000
Grant revenue	28,418	38,500	66,918
Merchandise sales	2,000	-	2,000
Other	21,531	-	21,531
Net assets released from restriction	<u>98,409</u>	<u>(98,409)</u>	<u>-</u>
Total operating revenue and support	<u>1,410,458</u>	<u>231,799</u>	<u>1,642,257</u>
Operating Expenses			
Program	1,525,527	-	1,525,527
Management and general	186,600	-	186,600
Fundraising	<u>168,346</u>	<u>-</u>	<u>168,346</u>
Total operating expenses	<u>1,880,473</u>	<u>-</u>	<u>1,880,473</u>
(Deficit) Excess of operating revenue and support over operating expenses	<u>(470,015)</u>	<u>231,799</u>	<u>(238,216)</u>
Non Operating Income (Expense)			
Investment income, net	-	75,155	75,155
Other expense	<u>(1,045)</u>	<u>-</u>	<u>(1,045)</u>
Total non operating income (expense)	<u>(1,045)</u>	<u>75,155</u>	<u>74,110</u>
Change in net assets	(471,060)	306,954	(164,106)
Net Assets, Beginning	<u>5,638,644</u>	<u>1,163,656</u>	<u>6,802,300</u>
Net Assets, Ending	<u>\$ 5,167,584</u>	<u>\$ 1,470,610</u>	<u>\$ 6,638,194</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Statement of Activities

Year Ended December 31, 2019

	<u>Without Donor Restriction</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenue and Support			
New shelter contributions	\$ -	\$ 531,324	\$ 531,324
Other donations	367,781	-	367,781
Special events, net of expenses	392,173	-	392,173
Giving programs	477,233	-	477,233
Adoption fees and animal care	179,129	-	179,129
Donated services	109,783	-	109,783
City of Dearborn revenue	112,500	-	112,500
Grant revenue	17,153	35,000	52,153
Merchandise sales	5,921	-	5,921
Other	17,233	-	17,233
Net assets released from restriction	<u>156,845</u>	<u>(156,845)</u>	<u>-</u>
Total operating revenue and support	<u>1,835,751</u>	<u>409,479</u>	<u>2,245,230</u>
Operating Expenses			
Program	1,572,484	-	1,572,484
Management and general	140,249	-	140,249
Fundraising	<u>181,251</u>	<u>-</u>	<u>181,251</u>
Total operating expenses	<u>1,893,984</u>	<u>-</u>	<u>1,893,984</u>
(Deficit) Excess of operating revenue and support over operating expenses	<u>(58,233)</u>	<u>409,479</u>	<u>351,246</u>
Non Operating Income			
Investment income, net	-	106,498	106,498
Other income	<u>7,658</u>	<u>-</u>	<u>7,658</u>
Total non operating income	<u>7,658</u>	<u>106,498</u>	<u>114,156</u>
Change in net assets	(50,575)	515,977	465,402
Net Assets, Beginning	<u>5,689,219</u>	<u>647,679</u>	<u>6,336,898</u>
Net Assets, Ending	<u>\$ 5,638,644</u>	<u>\$ 1,163,656</u>	<u>\$ 6,802,300</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Statements of Cash Flows

Year Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (164,106)	\$ 465,402
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	161,690	137,296
Realized and unrealized gain on investments	(75,155)	(106,498)
Changes in assets and liabilities:		
Accounts receivable	(185)	38,706
Promises to give	125,984	(201,878)
Grants receivable	9,984	7,057
Inventories	495	(2,182)
Prepaid expenses	4,277	13,005
Accounts payable	(12,202)	(411,196)
Accrued expenses	10,293	(1,467)
Deferred revenues	-	(30,000)
Net cash flows from operating activities	<u>61,075</u>	<u>(91,755)</u>
Cash Flows From Investing Activities		
Purchases of property and equipment	(1,884)	(35,000)
Proceeds from sale of investments	<u>2,273</u>	<u>40,165</u>
Net cash flows from investing activities	<u>389</u>	<u>5,165</u>
Cash Flows From Financing Activities		
Proceeds from long-term debt	<u>197,100</u>	<u>-</u>
Net change in cash and cash equivalents	258,564	(86,590)
Cash and Cash Equivalents, Beginning	<u>1,782,322</u>	<u>1,868,912</u>
Cash and Cash Equivalents, Ending	<u>\$ 2,040,886</u>	<u>\$ 1,782,322</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Statement of Functional Expenses

Year Ended December 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 723,191	\$ 17,932	\$ 109,088	\$ 850,211
Employee benefits	49,760	13	10,763	60,536
Total salaries and related expenses	772,951	17,945	119,851	910,747
Accounting	-	132,681	-	132,681
Administration	-	1,838	-	1,838
Advertising and promotion	1,508	-	-	1,508
Annual appeals	106,447	-	35,482	141,929
Depreciation	145,710	7,990	7,990	161,690
Information technology	5,945	1,982	-	7,927
Insurance	27,575	2,899	2,017	32,491
Meals and entertainment	-	1,327	-	1,327
Office supplies	5,621	12,771	-	18,392
Pet supplies, housing, and care	130,038	-	-	130,038
Professional dues and fees	17,357	4,406	245	22,008
Special events	30,310	-	30,311	60,621
Utilities and rental	152,834	2,761	2,761	158,356
Vehicle	6,335	-	-	6,335
Veterinary services	112,364	-	-	112,364
Volunteer	10,532	-	-	10,532
Total functional expenses	1,525,527	186,600	198,657	1,910,784
Less special event costs	-	-	30,311	30,311
Total operating expenses	<u>\$ 1,525,527</u>	<u>\$ 186,600</u>	<u>\$ 168,346</u>	<u>\$ 1,880,473</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Statement of Functional Expenses

Year Ended December 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	\$ 695,322	\$ 56,094	\$ 138,598	\$ 890,014
Employee benefits	<u>41,953</u>	<u>1,172</u>	<u>10,157</u>	<u>53,282</u>
Total salaries and related expenses	737,275	57,266	148,755	943,296
Accounting	-	31,496	-	31,496
Administration	-	16,534	14,711	31,245
Advertising and promotion	12,599	-	-	12,599
Annual appeals	22,228	-	7,409	29,637
Depreciation	123,566	6,865	6,865	137,296
Information technology	14,738	4,913	-	19,651
Insurance	36,744	3,645	1,258	41,647
Meals and entertainment	-	1,996	-	1,996
Office supplies	5,941	11,955	-	17,896
Pet supplies, housing, and care	150,441	-	-	150,441
Professional dues and fees	10,729	3,576	250	14,555
Special events	42,404	-	42,404	84,808
Utilities and rental	150,990	2,003	2,003	154,996
Vehicle	4,668	-	-	4,668
Veterinary services	248,524	-	-	248,524
Volunteer	<u>11,637</u>	<u>-</u>	<u>-</u>	<u>11,637</u>
Total functional expenses	1,572,484	140,249	223,655	1,936,388
Less special event costs	<u>-</u>	<u>-</u>	<u>42,404</u>	<u>42,404</u>
Total operating expenses	<u>\$ 1,572,484</u>	<u>\$ 140,249</u>	<u>\$ 181,251</u>	<u>\$ 1,893,984</u>

See notes to financial statements

Friends for Animals of Metro Detroit

Notes to Financial Statements
December 31, 2020 and 2019

1. Summary of Significant Accounting Policies

Nature of Activities

Friends for Animals of Metro Detroit (the Organization) is dedicated to the rescue, protection, and adoption of animals in the community, while inspiring healthy relationships between people and their companion animals. As animal advocates, the Organization is committed to saving all adoptable animals, providing high quality animal care and adoption services. They are also focused on delivering innovative outreach programs and activities that promote education, animal welfare legislation and embracing environmental responsibility with earth-friendly practices and facilities.

Cash and Cash Equivalents

The Organization defines cash equivalents as highly liquid, short-term deposits with a maturity at the date of acquisition of three months or less not held in the Organization's investment accounts. During the normal course of business, the Organization may maintain cash-on-deposit with financial institutions in excess of the federally insured limit of \$250,000.

Accounts Receivable

Accounts receivable have been adjusted for all known uncollectible accounts.

Promises to Give

Unconditional promises to give made to the Organization are recorded in the year the pledge is made. There were \$98,000 and \$100,000 promises to give due from board members as of December 31, 2020 and 2019, respectively. Amounts that are expected to be collected after one year have been discounted at a rate of 1.59 percent as of December 31, 2019, and are reflected in the financial statements at their net present value. Discounts on long-term promises to give as of December 31, 2019 were \$16. All promises to give as of December 31, 2020 are expected to be collected within one year, therefore no discount was recorded.

Inventories

Inventories are stated at the lower of cost or net realizable value, with cost determined on the first-in, first-out basis.

Investments

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. The Organization records the change of ownership of fixed-income securities and equities on the day a trade is made. Net investment income is included in the statements of activities as an increase in net assets without donor restriction unless the income or loss is restricted by donor or law.

Friends for Animals of Metro Detroit

Notes to Financial Statements
December 31, 2020 and 2019

Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at date of the gift if donated. All acquisitions of property and equipment in excess of \$2,000 and all expenditures for improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in operating income.

Donated property and equipment are recorded as increases in net assets without donor restriction at their estimated fair market value as of the date received. Contributions of cash that must be used to acquire property and equipment are reported as donor restricted contributions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Board Designated Net Assets

The Organization's Board of Directors (Board) has the ability to designate identified amounts of net assets without donor restriction to be used by management for specific future projects and activities. These designations can be modified or removed by the Board at any time. As of both December 31, 2020 and 2019, there were \$421,015 of board designated net assets from the recent capital campaign without donor restriction.

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Section 501 (c)(3) of the U.S. Internal Revenue Code and corresponding provisions of state law and, accordingly, is not subject to federal or state income taxes.

Friends for Animals of Metro Detroit

Notes to Financial Statements
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Revenue Recognition

Revenue is recognized when the Organization satisfies its performance obligation(s) under the agreement by transferring the promised service to its customers. A performance obligation is a promise in an agreement to transfer a distinct product or service to its customers and is identified at the inception of an agreement. In accordance with the ASU, an agreement's transaction price is allocated to each distinct performance obligation, however, substantially all of the Organization's agreements have only a single performance obligation. The Organization's revenues are substantially comprised of the following: City of Dearborn revenue, adoption fees, and animal care services. For the City of Dearborn revenue, transfer of control occurs over time, with recognition based on an input method of time elapsed. For adoption fees and animal care services, control transfers at a point in time, upon receipt of the service or product.

A contract's transaction price is allocated to each distinct performance obligation within the contract. Substantially all of the Organization's contracts have a single performance obligation.

Donated Services

Contributions of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Such services, the majority of which were for veterinary services, totaled \$34,941 and \$109,783 in December 31, 2020 and 2019, respectively, and are reflected within the statements of activities.

In addition, numerous individuals volunteer their time and perform a variety of tasks that assist the Organization with daily operations. The Organization received approximately 12,738 and 14,400 volunteer hours for fundraising activities, administrative support and various committee assignments for the years ended December 31, 2020 and 2019, respectively. Many volunteers also foster animals in their home and donated approximately 375 and 20,100 hours for the care of those animals for the years ended December 31, 2020 and 2019, respectively. No amounts have been reflected in the financial statements for the volunteer or foster hours.

In-Kind Contributions

The Organization reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions.

For the years ended December 31, 2020 and 2019, the Organization included as contributions \$39,747 and \$32,026 for pet, event and office supplies donated by businesses and individuals, respectively.

Contributed Facilities

The Organization occupies, without charge, premises owned by the City of Dearborn. The fair rental value of \$46,000 is recognized in the accompanying statement of functional expenses under utilities and rental expenses, and statement of activities under other donations for both the years ended December 31, 2020 and 2019. There was no lease in place for this location as of both December 31, 2020 and 2019.

Friends for Animals of Metro Detroit

Notes to Financial Statements
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Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Expenses are allocated based on a wage allocation percentage calculated by department. The Organization allocated employee expenses, building, maintenance, and office expenses, and professional fees utilizing the wage allocation percentage. Other expenses are program specific and not allocated based upon wage.

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or change in net assets.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Promises to Give

The Organization expects payment for unconditional promises to give as follows:

	<u>2020</u>	<u>2019</u>
Less than one year	\$ 116,000	\$ 241,000
One to five years	-	1,000
Less discount to present value	<u>-</u>	<u>(16)</u>
Total promises to give	<u>\$ 116,000</u>	<u>\$ 241,984</u>

At both December 31, 2020 and 2019, no allowance for doubtful accounts was deemed necessary.

Friends for Animals of Metro Detroit

Notes to Financial Statements
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3. Property and Equipment

The major categories of property and equipment at December 31 are as follows:

	<u>Useful lives</u>	<u>2020</u>	<u>2019</u>
Land	N/A	\$ 300,000	\$ 300,000
Building	39 years	3,736,061	3,736,061
Vehicles	5 - 7 years	44,556	44,556
Computer equipment	5 - 7 years	49,064	49,064
Furniture and fixtures	5 - 10 years	78,023	78,023
Animal housing	5 - 10 years	168,273	168,273
Appliances	5 - 7 years	51,233	51,233
Other	5 years	<u>46,054</u>	<u>44,170</u>
Total		4,473,264	4,471,380
Less accumulated depreciation		<u>(402,488)</u>	<u>(240,798)</u>
Property and equipment, net		<u>\$ 4,070,776</u>	<u>\$ 4,230,582</u>

Depreciation expense was \$161,690 and \$137,296 for the years ended December 31, 2020 and 2019, respectively.

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Notes to Financial Statements
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4. Long-Term Debt

On May 13, 2020, the Organization received loan proceeds in the amount of \$197,100 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1 percent with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. The Organization may request to repay the loan over five years and the request is subject to the approval of the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

The Organization met the PPP's loan forgiveness requirements, and therefore, applied for forgiveness during January of 2021. When legal release is received, the Organization will record the amount forgiven as forgiveness income within its statement of activities. If any portion of the Organization's PPP loan is not forgiven, the Organization will be required to repay that portion, plus interest, over 2 years in with the repayment term beginning at the time that the SBA remits the amount forgiven to the Organization's lender. On January 19, 2021, the Organization received legal release from the SBA, and therefore, will record the amount forgiven, \$186,239, as forgiveness income in its year end 2021 statement of activities. The remaining balance will be payable over a five year term, which was approved in June 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Future maturities of long-term debt are as follows for the years subsequent to December 31, 2020

2021	\$	40,418
2022		42,775
2023		44,093
2024		44,093
2025		<u>25,721</u>
Total	\$	<u>197,100</u>

5. Endowment Funds

The Organization's endowments consist of donor-restricted endowment funds. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Friends for Animals of Metro Detroit

Notes to Financial Statements
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The Organization follows accounting standards that provide a framework for classifying net assets with donor restricted endowment funds held by organizations that are subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of that framework is a requirement to classify the portion of donor restricted endowment funds net assets with donor restriction until appropriated for expenditure. Another key component is a requirement for expanded disclosures about all endowment funds

Interpretation of Relevant Law

The Board of Directors of the Organization have interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restriction is classified as without donor restriction until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Endowment net asset composition by type of fund as of December 31, 2020 is as follows:

	<u>Earnings with Donor Restriction</u>	<u>Principal with Donor Restriction</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 77,044	\$ 555,461	\$ 632,505

Friends for Animals of Metro Detroit

Notes to Financial Statements
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Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2020:

	Earnings with Donor Restriction	Principal with Donor Restriction	Total
Endowment net assets, Beginning of year	\$ 4,162	\$ 555,461	\$ 559,623
Investment return	75,155	-	75,155
Appropriation of endowment assets for expenditure	<u>(2,273)</u>	<u>-</u>	<u>(2,273)</u>
Endowment net assets, End of year	<u>\$ 77,044</u>	<u>\$ 555,461</u>	<u>\$ 632,505</u>

Endowment net asset composition by type of fund as of December 31, 2019 is as follows:

	Earnings with Donor Restriction	Principal with Donor Restriction	Total
Donor-restricted endowment funds	\$ 4,162	\$ 555,461	\$ 559,623

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2019:

	Earnings with Donor Restriction	Principal with Donor Restriction	Total
Endowment net assets, Beginning of year	\$ (62,171)	\$ 555,461	\$ 493,290
Investment return	106,498	-	106,498
Appropriation of endowment assets for expenditure	<u>(40,165)</u>	<u>-</u>	<u>(40,165)</u>
Endowment net assets, End of year	<u>\$ 4,162</u>	<u>\$ 555,461</u>	<u>\$ 559,623</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to generate income in the form of investment earnings that can be used to support the annual operating budget and to provide a financial resource to the Organization in perpetuity. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a portfolio mix between money market securities, and equities and may vary greatly during market cycles.

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Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Decisions to appropriate funds from each endowment for expenditures or to accumulate such funds shall be made by the Board. The Board may authorize a committee of the Board to make recommendations to the Board in carrying out its responsibilities with respect to the expenditure of Organization's endowment funds. Such committee and the Board must act in good faith, and must consider the uses, benefits, purposes and duration for which the endowment fund was established.

6. Fair Value Measurements

The Organization utilizes fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Beneficial interests and investments are recorded at fair value on a recurring basis. Additionally, from time to time, the Organization may be required to record at fair value other assets on a nonrecurring basis, such as property held for sale and other long lived assets. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting or write downs of individual assets.

Following is a description of the valuation methodologies and key inputs used to measure consolidated financial assets recorded at fair value. The fair value hierarchy is categorized into three levels as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on inputs other than quoted prices included in Level 1 that are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Fair value is a market-based measure, based on assumptions of prices and inputs considered from the perspective of a market participant that are current as of the measurement date, rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset at the measurement date.

The Organization's policy is to recognize transfers in and out of Level 1, 2, and 3 fair value classifications as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of fair value hierarchy during both the years ended December 31, 2020 and 2019.

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The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2020 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 40,366	\$ -	\$ -	\$ 40,366
Mutual funds	<u>592,139</u>	<u>-</u>	<u>-</u>	<u>592,139</u>
Total	<u>\$ 632,505</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 632,505</u>

The following table presents information about the Organization's assets measured at fair value on a recurring basis as of December 31, 2019 based upon the three-level hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 16,280	\$ -	\$ -	\$ 16,280
Mutual funds	<u>543,343</u>	<u>-</u>	<u>-</u>	<u>543,343</u>
Total	<u>\$ 559,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 559,623</u>

7. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of the following at December 31:

	<u>Restriction</u>	<u>2020</u>	<u>2019</u>
New shelter	Purpose/Time	\$ 825,412	\$ 577,469
Endowment funds	Purpose/Time	632,505	559,623
Adoption preparation expenses	Purpose	10,000	5,000
Kitten foster care program	Purpose	2,693	-
Adoption workshops and adoption vouchers	Purpose	<u>-</u>	<u>21,564</u>
Total		<u>\$ 1,470,610</u>	<u>\$ 1,163,656</u>

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8. Liquidity and Availability

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses and fixed asset additions not financed with debt are as follows as of December 31:

Financial assets:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,040,886	\$ 1,782,322
Accounts receivable	305	120
Pledges receivable	116,000	241,000
Grants receivable	-	9,984
Investments	<u>632,505</u>	<u>559,623</u>
Financial assets available	2,789,696	2,593,049
Less net assets with donor restrictions	<u>(1,470,610)</u>	<u>(1,163,656)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,319,086</u>	<u>\$ 1,429,393</u>

Net assets with Board restrictions totaling \$421,015 represent a Board-directed reserve fund raised through the Organization's most recent capital campaign. The reserve fund balance is free of donor restrictions and can be utilized by the Organization with Board approval on general expenditures, liabilities, and on other obligations as they come due. Additionally, \$10,000 of the net assets with donor restrictions is restricted for adoption related expenses and will be expected to be used in the following year.

9. Subsequent Events

The Organization has evaluated events through September 30, 2021, which is the date the financial statements were approved and available to be issued.

On March 17, 2021, the Organization was granted a loan in the principal amount of \$173,182 pursuant to the second draw of PPP under the CARES Act. The loan is evidenced by a promissory note, and bears interest at the rate of 1.00 percent per annum. After a ten-month deferral period, the loan is payable over the life of the loan which matures on March 17, 2026. Loan recipients may apply for and receive loan forgiveness for all or a portion of the loans based on meeting certain requirements related to payroll costs, employee retention, employee wage levels, rent, and utilities, as described in the CARES Act and other implementation guidance and forms issued by the U.S. Small Business Administration. The Organization is not able to estimate the amount of forgiveness that it will be eligible for at this time, and cannot give assurances that the loan will be forgiven in whole or in part.