

THE FELINE FIX
FINANCIAL STATEMENTS

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DECEMBER 31, 2020

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Member, AICPA and Colorado Society of CPAs

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Feline Fix
Commerce City, CO

We have audited the accompanying financial statements of The Feline Fix (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Feline Fix as of December 31, 2020 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Davis + Co., CPAs, P.C.

Highlands Ranch, Colorado
June 18, 2021

THE FELINE FIX
Statement of Financial Position
December 31, 2020

ASSETS

Current assets	
Cash and cash equivalents	\$115,995
Prepaid expenses & other	<u>3,134</u>
	119,129
Property and equipment	
Leasehold improvements	281,302
Equipment, furnishings & other	<u>27,525</u>
	308,827
Less: Accumulated depreciation	<u>(191,608)</u>
	<u>117,219</u>
	<u>\$236,348</u>

LIABILITIES AND NET ASSETS

Current liabilities	
Accounts payable	\$ 7,867
Accrued payroll liabilities	<u>11,323</u>
	19,190
Net assets	
Without donor restrictions	217,158
With donor restrictions	<u>---</u>
	<u>217,158</u>
	<u>\$236,348</u>

The accompanying notes are an integral part of this statement.

THE FELINE FIX
Statement of Activity and Changes in Net Assets
For the Year Ended December 31, 2020

Changes in net assets without restrictions:

Support and revenue	
Direct and indirect contributions	\$ 182,365
Private sector grants	22,000
Debt forgiveness from SBA	52,600
Events, net of direct costs of \$6,877	29,335
Program service fees	109,214
In-kind donated services & supplies	5,465
Interest & other income	<u>3,395</u>
Total support and revenue	404,374
Net assets released from restrictions	<u>61,537</u>
Total support, revenue and reclassifications	465,911
Functional expenses	
Program services	430,322
Supporting services	
General & administrative	42,311
Financial development	<u>32,352</u>
Total expenses	<u>504,985</u>
Change in net assets without restrictions	(39,074)
Changes in net assets with donor restrictions:	
Private sector grants	41,537
Net assets released from restrictions	<u>(61,537)</u>
Change in net assets with donor restrictions	(20,000)
Change in net assets, all categories	(59,074)
Net assets, beginning of year	<u>276,232</u>
Net assets, end of year	<u>\$217,158</u>

The accompanying notes are an integral part of this statement.

THE FELINE FIX
Statement of Functional Expenses
For the Year Ended December 31, 2020

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total Expenses</u>
		General and Administrative	Financial Development	
Personnel expenses	\$ 244,217	\$ 17,836	\$ 12,348	\$ 274,401
Program supplies & equipment	40,146	--	--	40,146
Contract & professional services	37,976	7,444	765	46,185
Occupancy costs	53,004	3,871	2,680	59,555
Depreciation	50,066	3,657	2,532	56,255
Advertising & promotion	--	--	4,921	4,921
Bank & merchant fees	--	3,785	--	3,785
Dues, licenses & taxes	--	1,655	--	1,655
Technology expenses	2,194	160	111	2,465
Printing & postage	417	--	8,879	9,296
Office supplies & expenses	2,302	168	116	2,586
Insurance expense	--	<u>3,735</u>	--	<u>3,735</u>
 Total expenses	 <u>\$430,322</u>	 <u>\$42,311</u>	 <u>\$32,352</u>	 <u>\$504,985</u>

The accompanying notes are an integral part of this statement.

THE FELINE FIX
Statement of Cash Flows
For the Year Ended December 31, 2020

CASH FLOW FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (59,074)
Adjustments to reconcile to net cash provided by operating activities:	
Depreciation	56,255
Debt forgiveness from SBA	(52,600)
Changes in operating assets and liabilities:	
Increase in accounts payable	310
Decrease in accrued payroll liabilities	<u>(487)</u>
Net cash provided by operating activities	(55,596)
CASH FLOW FROM FINANCING ACTIVITY	
Proceeds from PPP loan from SBA	<u>52,600</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(2,996)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>118,991</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$115,995</u>
Supplemental disclosure of cash flow information:	
Interest income – cash basis	<u>\$5</u>

The accompanying notes are a part of this statement.

THE FELINE FIX
Notes to Financial Statements
December 31, 2020

Note 1: Organization Background and Summary of Significant Accounting Policies

a. Organization background

The Feline Fix (the "Organization"), based in Commerce City, Colorado, was established in 2003 as a non-profit corporation under the laws of the State of Colorado. Their mission is to promote the health and welfare of underserved cats through spay/neuter, limited veterinary services, trap-neuter-return (TNR), community outreach, collaboration and education. Since its inception, the Organization has spayed or neutered over 40,000 cats.

The Organization is funded primarily by contributions, grants, special fundraising events and program service fees.

b. Financial statement presentation

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (USGAAP).

The Organization follows the provisions of FASB ASC 958 "*Financial Statements of Not-for-Profit Organizations*". Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets, as follows:

Without donor restrictions - Resources not subject to donor-imposed restrictions.

With donor restrictions - Resources subject to donor-imposed restrictions that will be satisfied either by the actions of the Organization or the passage of time.

c. Revenue recognition

All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted either for future periods or for specific purposes by the donor are reported as support that increases "net assets with donor restrictions". When a donor restriction is satisfied, net assets with donor restrictions are reclassified and reported in the statement of activities as net assets released from restrictions, thus increasing "net assets without donor restrictions". If a donor-imposed restriction is satisfied in the same accounting period that the revenue is received, the Organization reports the revenue as "without donor restrictions."

The Organization adopted ASU 2018-08, topic 606 (FASB ASC 606) "Revenues from Contracts with Customers" effective January 1, 2019. Accordingly, program service fees are recorded as revenue in the period earned by the Organization's performance of its underlying obligations. Funds received in advance of being earned are recorded as deferred revenue, a liability.

(Continued)

THE FELINE FIX
Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

d. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted demand and time deposit accounts with maturities of three months or less to be cash equivalents as long as they are not legally restricted as to withdrawal.

e. Accounts receivable

Receivables are not significant. As such, the Organization has elected to use the direct write-off method for any receivables deemed to be uncollectible, which are infrequent. Therefore, an allowance for bad debts is not recorded herein.

f. Property and equipment

The Organization's significant investment in leasehold improvements was necessary in early 2018 in order to have a state-of-the-art licensed spay/neuter clinic and administrative offices. Expenditures for these improvements, in addition to those for furniture, computers and medical equipment in excess of \$1,000, are capitalized at their historical cost and depreciated using the straight-line method and expected lives of 5 years. Depreciation expense for 2020 amounted to \$56,255.

g. Accrued compensated absences

As required by USGAAP, the Organization accrues compensated absences such as vacation when earned. The liability of \$5,395 at December 31, 2020 is included under "accrued payroll liabilities", herein.

h. Donated services and materials

The Organization records all services which are significant, require technical expertise and would have been purchased if not received via donation. Similarly, donated materials are recorded at fair value if they are significant and otherwise would have been purchased. \$1,600 of services and \$3,865 of program supplies met these criteria in 2020 and are recorded, herein, under "contract & professional services" and "program supplies and equipment", respectively.

i. Estimates

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

j. Functional expenses

Expenses which can be directly identified with a functional area are charged to such area. If an expense affects more than one area, it is allocated based on the staff time expended or another reasonable basis.

(Continued)

THE FELINE FIX
Notes to Financial Statements
December 31, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

k. Concentrations of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of cash equivalents. Due to the nature of the instruments and the payors, management does not believe any significant risks exist due to the concentrations of credit risk at December 31, 2020.

l. Tax status

The Organization is exempt from federal and state income taxes under IRS Code Section 501(c)(3), has no items of unrelated business income and believes it has complied with all requirements necessary to maintain its tax-exempt status.

m. Subsequent events

Management has evaluated subsequent events through June 18, 2021, the date the independent auditor's report on these financial statements was available to be issued. (See Note 4)

Note 2: Commitments

The Organization has a five-year lease agreement for its clinic in Commerce City, Colorado. The lease expires on December 31, 2022. The future minimum lease payments required under the agreement are as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 48,891
2022	<u>50,288</u>
	<u>\$99,179</u>

Rental expense pursuant to the lease during 2020 of \$45,290 is recorded herein as the major component of "occupancy costs".

Note 3: Liquidity and Availability of Financial Resources

The Organization's cash flow is monitored on a monthly basis by management and the Board of Directors. The COVID 19 pandemic has adversely impacted liquidity. Financial assets available for general operating expenditure within one year of the balance sheet date consist of the following, as illustrated on the Statement of Financial Position, herein:

Cash and cash equivalents	\$ 115,995
Prepaid expenses	3,134
Less: current liabilities	<u>(19,190)</u>
	<u>\$99,939</u>

(Continued)

THE FELINE FIX
Notes to Financial Statements
December 31, 2020

Note 4: Payroll Protection Loan from the SBA/Subsequent Event

In April 2020, the Organization received a \$52,600 loan through its bank under the Small Business Administration's Payroll Protection Program (PPP) intended to help mitigate the financial impact of the COVID 19 pandemic by providing support to meet payroll and related expenses. Recorded as a liability initially, the Organization used the proceeds for payroll related costs during the 24-week period from when the loan was issued on April 15.

Late in its 2020 fiscal year the Organization submitted an application for forgiveness of 100% of this loan, and was optimistic of a favorable outcome. The amount of forgiveness is dependent upon satisfying all verification requirements, including the level of future Full Time Equivalent (FTE) employees. Any loan amounts not forgiven will result in on-going principal and interest payments over 2 years at a 1% interest rate, but may be paid off early without penalty.

On April 29, 2021 the Organization was informed by the bank that the debt had been forgiven. Accordingly, it has now been reclassified as debt forgiveness income in the financial statements, herein.

Note 5: Net Assets with Donor Restrictions

The Organization's \$20,000 of net assets with donor restrictions at December 31, 2019 represented a foundation grant received late in 2019 for a program specific purpose which was satisfied in 2020. The Organization's activity in the donor restricted net asset class during 2020 was as follows:

<u>Donor/purpose</u>	Balance at Dec 31, <u>2019</u>	Restricted Grants <u>Received</u>	Designated <u>Interest</u>	Expenditures Satisfying <u>Restriction(s)</u>	Balance at Dec 31, <u>2020</u>
Private sector grants					
- Purpose restricted	<u>\$20,000</u>	<u>\$41,537</u>	<u>\$ --</u>	<u>\$(61,537)</u>	<u>\$ --</u>