

Cat Care Society

Financial Statements

Year Ended June 30, 2021



WIPFLI

CAT CARE SOCIETY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Cat Care Society
Lakewood, Colorado

We have audited the accompanying financial statements of Cat Care Society which comprise the statement of financial position as of June 30, 2021, 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; 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cat Care Society as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States.

Report on Summarized Comparative Information

We have previously audited Cat Care Society's June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 9, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Wipfli LLP

Wipfli LLP
Denver, Colorado

October 6, 2021

CAT CARE SOCIETY

Statements of Financial Position

June 30, 2021

(With Summarized Financial Information as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>		
<u>Assets</u>		
Cash and cash equivalents	\$ 503,953	\$ 544,816
Contributions receivable	25,092	41,800
Prepaid event costs	17,733	4,493
Inventory	8,650	8,300
Investments	1,070,102	495,945
Property and equipment, net	1,217,024	1,244,731
Beneficial interest in assets held by Community First Foundation	41,103	34,507
Total Assets	<u>\$ 2,883,657</u>	<u>\$ 2,374,592</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 15,723	\$ 17,210
Accrued payroll liabilities	57,486	34,223
Deferred event revenues	17,460	1,375
Total Liabilities	<u>90,669</u>	<u>52,808</u>
<u>Net Assets</u>		
Without donor restrictions:		
Operating	1,509,769	1,000,746
Net investment in fixed assets	1,217,024	1,244,731
Total net assets without donor restrictions	<u>2,726,793</u>	<u>2,245,477</u>
With donor restrictions	<u>66,195</u>	<u>76,307</u>
Total Net Assets	<u>2,792,988</u>	<u>2,321,784</u>
Total Liabilities and Net Assets	<u>\$ 2,883,657</u>	<u>\$ 2,374,592</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statements of Activities Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021		Total	2020
	Without Donor Restrictions	With Donor Restrictions		
<u>Support and Revenue</u>				
Contributions and grants	\$ 588,466	\$ -	\$ 588,466	\$ 500,253
Bequests	789,285	-	789,285	570,292
Program service fees	62,868	-	62,868	46,835
Special events, net	-	-	-	139,857
Product sales, net	7,220	-	7,220	10,582
Investment income	116,184	-	116,184	5,752
Change in beneficial interest in assets held by Community First Foundation	-	7,258	7,258	1,186
Other	50	-	50	545
Net assets released from restrictions	17,370	(17,370)	-	-
Total Support and Revenue	<u>1,581,443</u>	<u>(10,112)</u>	<u>1,571,331</u>	<u>1,275,302</u>
<u>Expenses</u>				
Program Services:				
Shelter/adoption/education	733,873	-	733,873	682,554
Total Program Services	<u>733,873</u>	<u>-</u>	<u>733,873</u>	<u>682,554</u>
Supporting Services:				
Management and general	231,490	-	231,490	181,694
Fundraising	134,764	-	134,764	124,632
Total Supporting Services	<u>366,254</u>	<u>-</u>	<u>366,254</u>	<u>306,326</u>
Total Expenses	<u>1,100,127</u>	<u>-</u>	<u>1,100,127</u>	<u>988,880</u>
Change in Net Assets	481,316	(10,112)	471,204	286,422
NET ASSETS, Beginning of Year	<u>2,245,477</u>	<u>76,307</u>	<u>2,321,784</u>	<u>2,035,362</u>
NET ASSETS, End of Year	<u>\$ 2,726,793</u>	<u>\$ 66,195</u>	<u>\$ 2,792,988</u>	<u>\$ 2,321,784</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statements of Functional Expenses Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

	Program	Supporting Services		Total Year Ended June 30, 2021	Total Year Ended June 30, 2020
	Services Shelter/ Adoption/ Education	Management and General	Fund- Raising		
Salaries	\$ 404,486	\$ 155,814	\$ 47,573	\$ 607,873	\$ 544,375
Employee benefits	20,970	8,060	2,456	31,486	29,991
Payroll taxes	29,959	11,516	3,509	44,984	39,154
Total salaries and related expenses	455,415	175,390	53,538	684,343	613,520
Veterinary services and medication	141,855	-	-	141,855	123,439
Supplies	43,024	2,476	379	45,879	32,534
Repairs and maintenance	26,789	3,527	1,376	31,692	31,306
Contract and professional fees	9,525	7,398	6,829	23,752	23,250
Utilities	18,860	2,560	1,482	22,902	24,143
Fundraising expenses	-	-	20,513	20,513	19,883
Publications	-	-	14,219	14,219	8,025
Miscellaneous	561	9,817	-	10,378	4,177
Telephone and internet	3,490	2,999	2,999	9,488	8,758
Insurance expense	3,033	2,944	2,944	8,921	6,955
Bank fees	3,471	164	4,779	8,414	8,625
Cost of product sales	7,106	-	-	7,106	7,446
Dues and subscriptions	3,811	2,563	159	6,533	7,270
Equipment and software	1,361	735	4,007	6,103	7,893
Postage	347	257	909	1,513	2,247
Taxes and license fees	742	65	65	872	1,425
Education and training	226	219	219	664	1,895
Advertising	418	47	18	483	1,441
Volunteer	108	105	105	318	1,383
Cost of direct benefit to donors	-	-	-	-	45,050
Conferences	-	-	-	-	401
	720,142	211,266	114,540	1,045,948	981,066
Depreciation	20,837	20,224	20,224	61,285	60,310
Total expenses by function	740,979	231,490	134,764	1,107,233	1,041,376
Less: expenses included with revenues on the statements of activities					
Cost of direct benefit to donors	-	-	-	-	(45,050)
Cost of product sales	(7,106)	-	-	(7,106)	(7,446)
Total expenses included in the expense section on the statements of activities	<u>\$ 733,873</u>	<u>\$ 231,490</u>	<u>\$ 134,764</u>	<u>\$ 1,100,127</u>	<u>\$ 988,880</u>

The accompanying notes are an integral part of the financial statements.

CAT CARE SOCIETY

Statements of Cash Flows Year Ended June 30, 2021

(With Summarized Financial Information for the Year Ended June 30, 2020)

	2021	2020
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 471,204	\$ 286,422
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	61,285	60,310
Investment income	(116,184)	(5,752)
Change in beneficial interest in assets held by Community First Foundation	(7,258)	(1,186)
Change in operating assets and liabilities:		
Accounts receivable	-	550
Contributions receivable	16,708	3,366
Prepaid event costs	(13,240)	5,632
Inventory	(350)	(1,711)
Accounts payable	(1,487)	(2,966)
Accrued payroll liabilities	23,263	10,990
Deferred event revenues	16,085	(17,445)
<u>Net Cash Flows From Operating Activities</u>	450,026	338,210
<u>Cash Flows From Investing Activities</u>		
Purchase of property and equipment	(33,578)	(10,087)
Purchase of investments	(472,802)	(2,306)
Sale of investments	14,829	-
Distributions from Community First Foundation	662	627
<u>Net Cash Flows From Investing Activities</u>	(490,889)	(11,766)
<u>Net Change in Cash and Cash Equivalents</u>	(40,863)	326,444
<u>CASH AND CASH EQUIVALENTS, beginning of year</u>	544,816	218,372
<u>CASH AND CASH EQUIVALENTS, end of year</u>	\$ 503,953	\$ 544,816

The accompanying notes are an integral part of the financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of the Organization

Cat Care Society (the "Organization") is located in Lakewood, Colorado, and was incorporated in 1981 as a nonprofit corporation under the laws of the State of Colorado. The Organization was established in order to improve the quality of life for homeless, injured, and abused cats in the Denver metropolitan area. The Organization operates a cage-free shelter, sponsors educational programs to promote public awareness, and actively seeks qualified homes for the cats it receives.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States ("GAAP") and, accordingly, reflect all significant receivables, payables, and other liabilities.

Net Assets

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

Net assets without donor restrictions: net assets available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions: net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed in service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and fringes are allocated based upon estimations of time and effort. Indirect costs such as occupancy and office related expenses are allocated based upon time spent, utilization, and square footage.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Taxes

The Organization is a nonprofit corporation and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, donors are entitled to a charitable deduction for their contributions to the Organization. Accordingly, the accompanying financial statements contain no provision for income taxes.

The Organization follows *Accounting for Uncertainty in Income Taxes*, which requires the Organization to determine whether a tax position (and related tax benefit) is more-likely-than-not to be sustained upon examination by the applicable taxing authority, based solely on the technical merits of the position. Management has determined that the Organization does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements and related disclosures.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents, receivables, accounts payable, and accrued liabilities. The carrying value of cash and cash equivalents, receivables, accounts payable, and accrued liabilities are considered to be representative of their fair market value, due to the short maturity of these instruments.

The Organization places its cash and cash equivalents with high credit quality financial institutions. At various times during the fiscal year, the Organization's cash balances exceeded the federally insured limits. The Organization has never experienced any losses related to these balances.

Credit risk with respect to receivables is limited due to the number and creditworthiness of the entities from which the amounts are due.

The Organization received over 85% and 95% of its revenues from public support during the years ended June 30, 2021 and 2020, respectively. A significant reduction in the level of such support, if this were to occur, may have an adverse effect on the Organization's programs and activities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Investments

The Organization's investments are reflected on the statements of financial position at fair value. Changes in unrealized gains and losses resulting from changes in fair value are reflected in the statements of activities.

Expenses related to investment revenues, including investment management and administrative fees are included as a reduction in investment income in the accompanying statements of activities.

1. Organization and Summary of Significant Accounting Policies (continued)

Contributions Receivable

The Organization records as contributions receivable unconditional promises to give cash or other assets to the Organization. At June 30, 2021 and 2020, management has deemed all contributions receivable collectible, accordingly, there is no allowance for uncollectible receivables.

Inventory

Inventory consists of items held for resale in the Meow Mart. Items for sale include toys, beds, clothing, furniture, litter, and other similar items used for cat care. Inventory is stated at the lower of cost or net realizable market value.

Property and Equipment

Property and equipment are stated at cost or at the estimated fair value at the date of donation. Assets are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	7-40 years
Furniture and equipment	5-7 years
Clinic equipment	5-7 years
Website	5 years

All assets with a useful life of more than 1 year and a cost of more than \$500 are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Deferred Event Revenues

Deferred event revenues primarily represent fundraising event income collected before the end of the current fiscal year for the following fiscal year.

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identifying of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized.
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

1. Organization and Summary of Significant Accounting Policies (continued)

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as refundable grant advances.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Program Service Fees

The Organization receives revenues from adoptions, surrenders, and shelter services. Program service fees are reported at the amounts that reflect the consideration to which the Organization expects to be entitled in exchange for providing the services. Revenues are recognized over time when the services are performed.

Product Sales

The Organization sells cat toys, beds, clothing, furniture, litter, and other similar items used for cat care at the Meow Mart. Revenues are recognized at the point of sale when the product is delivered.

Donated Materials and Services

The Organization records the value of donated materials or services when there is an objective basis available to measure their value. The Organization recognized the estimated fair value of contributed services that meet the following criteria:

- The services rendered either create or enhance nonfinancial assets.
- The services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution.

A substantial number of volunteers have donated significant amounts of time to the Organization. No amounts have been reflected in the financial statements for these donated services because they do not meet the criteria for recognition.

Advertising and Promotion

Advertising and promotion costs totaled \$483 and \$1,441, for the years ended June 30, 2021 and 2020, respectively. Advertising and promotion costs are expensed as incurred.

1. Organization and Summary of Significant Accounting Policies (continued)

Summarized Financial Information

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

Subsequent Events

In accordance with the *Subsequent Events* Topic of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Organization's financial statements were available to be issued on October 6, 2021, and this is the date through which subsequent events were evaluated.

Upcoming Accounting Pronouncement

In 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, Leases (Topic 842), which is intended to improve financial reporting on leasing transactions. ASU 2016-02 will require lessees to recognize right of use assets and lease obligations for operating and finance leases under terms greater than 12 months. ASU 2016-02 is effective for fiscal years beginning after December 15, 2021, with early implementation permitted. The Organization is currently evaluating the impact of the provisions of ASU Topic 842.

2. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions or designations limiting their use, within twelve months of the statements of financial position date, comprise the following:

<u>As of June 30,</u>	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 503,953	\$ 544,816
Contributions receivable – due in one year	10,037	16,708
Investments	<u>1,070,102</u>	<u>495,945</u>
Total financial assets available for general expenditure	<u>\$ 1,584,092</u>	<u>\$ 1,057,469</u>

The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash and cash equivalents for approximately two to four months.

The Organization also has a line-of-credit available for cash flow needs of up to \$150,000 as further described in Note 8.

3. Contributions Receivable

The Organization has received a multi-year commitment from an estate. Management believes present value calculations are immaterial to the financial statements. Total contributions receivable are to be received as follows:

<u>Years Ended June 30,</u>	<u>Estate Receivable</u>	<u>Other Donors</u>	<u>Total</u>
2022	\$ 10,037	\$ -	\$ 10,037
2023	10,037	-	10,037
2024	<u>5,018</u>	<u>-</u>	<u>5,018</u>
Total – June 30, 2021	<u>\$ 25,092</u>	<u>\$ -</u>	<u>\$ 25,092</u>
Total – June 30, 2020	<u>\$ 35,129</u>	<u>\$ 6,671</u>	<u>\$ 41,800</u>

4. Inventory

Inventory held for sale to the public consists of the following:

<u>As of June 30,</u>	<u>2021</u>	<u>2020</u>
Meow Mart merchandise	<u>\$ 8,650</u>	<u>\$ 8,300</u>

5. Beneficial Interest in Assets held by Community First Foundation

The Organization has entered into an endowment agreement with Community First Foundation (Note 10). While accounting for the Organization's funds as a separate entity, the Foundation commingles these funds with the funds of other entities for investment in order to achieve beneficial economies of scale and provide cost-effective access to professional investment management. As of June 30, 2021 and 2020, the fair value of the assets held by the Foundation totaled \$41,103 and \$34,507, respectively.

6. Property and Equipment

Property and equipment consist of the following:

<u>As of June 30,</u>	<u>2021</u>	<u>2020</u>
Land	\$ 100,000	\$ 100,000
Buildings and improvements	1,826,546	1,811,611
Furniture and equipment	101,795	83,152
Clinic equipment	86,772	86,772
Website	<u>5,800</u>	<u>5,800</u>
	2,120,913	2,087,335
Less: accumulated depreciation	<u>(903,889)</u>	<u>(842,604)</u>
Net property and equipment	<u>\$ 1,217,024</u>	<u>\$ 1,244,731</u>

7. Investments

Investments consist of the following:

<u>As of June 30,</u>	<u>2021</u>	<u>2020</u>
Money market accounts	\$ 224,386	\$ 4,325
Mutual funds	756,477	404,956
Certificates of deposit	75,811	75,788
Equities	<u>13,428</u>	<u>10,876</u>
Total Investments	<u>\$ 1,070,102</u>	<u>\$ 495,945</u>

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment income without donor restrictions consists of the following:

<u>Years ended June 30,</u>	<u>2021</u>	<u>2020</u>
Interest and dividends	\$ 928	\$ 128
Realized and unrealized gains on investments, net	121,774	10,893
Management fees	<u>(6,518)</u>	<u>(5,269)</u>
Total Investment Income	<u>\$ 116,184</u>	<u>\$ 5,752</u>

8. Line-of-Credit

The Organization has a \$150,000 line-of-credit established at Bank of the West with an interest rate of prime plus 0.25%. There were no amounts outstanding on the line-of-credit at June 30, 2021 and 2020. The line-of-credit renews annually. The Organization is required to hold a certificate of deposit as collateral for this line-of-credit. As of June 30, 2021 and 2020, the balance of the certificate of deposit is \$75,811 and \$75,788, respectively.

The Organization also has overdraft protection of \$10,000 with an annual percentage rate of 14.25%. No amounts are outstanding on the overdraft line at June 30, 2021 and 2020.

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following:

<u>As of June 30,</u>	<u>2021</u>	<u>2020</u>
<u>Subject to the passage of time:</u>		
Contributions receivable	\$ 25,092	\$ 41,800
<u>Endowment:</u>		
Community First Foundation Fund	30,000	30,000
Accumulated earnings on the endowment	<u>11,103</u>	<u>4,507</u>
Total Net Assets With Donor Restrictions	<u>\$ 66,195</u>	<u>\$ 76,307</u>

Net assets totaling \$17,370 and \$10,664, were released from net assets with donor restrictions for the years ending June 30, 2021 and 2020, respectively, as a result of the Organization incurring expenditures satisfying the related restricted purpose.

10. Endowments

The Organization endowment consists of funds held by Community First Foundation (CFF). The fund was established for the general operating needs of the Organization.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Colorado's Uniform Prudent Management of Institutional Funds Act (UPMIFA) to allow, subject to the specific intent of a donor expressed in the gift instrument, for the appropriation or accumulation of so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Such appropriation may take place even though an endowment is "under water" (i.e., the market value of the fund is less than the historical dollar value (HDV) of the fund), and the Organization is not required to utilize other Organization resources to bring the value of the endowment fund up to HDV.

The Board acknowledges that donors to an endowment fund intend that the principal of the endowment fund shall be preserved in perpetuity. In making a determination to appropriate or accumulate, the Organization shall act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and shall consider, if relevant, the following factors:

- (1) The duration and preservation of the fund
- (2) The purpose 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 Organization resources
- (7) The investment policies of the Organization

10. Endowments (continued)

The following are the changes in the endowment net assets:

	Accumulated <u>Earnings</u>	Perpetual in <u>Nature</u>	<u>Total</u>
Balance, June 30, 2019	\$ 3,948	\$ 30,000	\$ 33,948
Investment income	1,524	-	1,524
Investment management fees	(338)	-	(338)
Appropriation of endowment assets for expenditures	<u>(627)</u>	<u>-</u>	<u>(627)</u>
Balance, June 30, 2020	4,507	30,000	34,507
Investment income	7,635	-	7,635
Investment management fees	(377)	-	(377)
Appropriation of endowment assets for expenditures	<u>(662)</u>	<u>-</u>	<u>(662)</u>
Balance, June 30, 2021	<u>\$ 11,103</u>	<u>\$ 30,000</u>	<u>\$ 41,103</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2021 and 2020, there was no such deficiency.

Spending Policy

Disbursements from the endowment are determined by a spending policy established by the Board of Trustees. The spending policy will be reviewed at least annually by the Board. The current spending policy calls for disbursements of up to 2% of the average market value of the fund calculated over the three preceding fiscal years.

Investment Return Objectives

The Organization follows the investment and spending policies adopted by Community First Foundation for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization relies on the Community First Foundation's investment policies and strategies.

11. Fair Value Measurements

The Organization has adopted the *Fair Value Measurements and Disclosures* Topic of FASB ASC, which among other things, requires enhanced disclosures about investments that are reported at fair value. The standard establishes a hierarchical framework that prioritizes the inputs used in measuring assets and liabilities at fair value.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level 3 – Pricing inputs that are unobservable and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant management judgment or estimation.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds: Valued measured using \$1 as the net asset value.

Mutual funds and equities: Fair value based on quoted price in active markets.

Certificates of deposit: Valued using quotes from published market data and other observable market information.

Beneficial interest in assets held by Community First Foundation: Valued as reported by the organization holding the funds, based on the fair value of the underlying assets consisting mainly of equities and fixed income securities which were based on quoted market prices.

11. Fair Value Measurements (continued)

The following tables present the fair value measurements of assets recognized in the accompanying statements of financial position at fair value on a recurring basis and the level within the FASB ASC fair value hierarchy in which the fair value measurements fall at June 30, 2021 and 2020.

<u>As of June 30, 2021</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by Community First Foundation	\$ -	\$ 41,103	\$ -	\$ 41,103
Mutual funds	756,477	-	-	756,477
Certificate of deposit	-	75,811	-	75,811
Equities	13,428	-	-	13,428
Money market accounts	<u>-</u>	<u>224,386</u>	<u>-</u>	<u>224,386</u>
	<u>\$ 769,905</u>	<u>\$ 341,300</u>	<u>\$ -</u>	<u>\$ 1,111,205</u>

<u>As of June 30, 2020</u>	Fair Value Measurements Using			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by Community First Foundation	\$ -	\$ 34,507	\$ -	\$ 34,507
Mutual funds	404,956	-	-	404,956
Certificate of deposit	-	75,788	-	75,788
Equities	10,876	-	-	10,876
Money market accounts	<u>-</u>	<u>4,325</u>	<u>-</u>	<u>4,325</u>
	<u>\$ 415,832</u>	<u>\$ 114,620</u>	<u>\$ -</u>	<u>\$ 530,452</u>

12. Operating Lease

The Organization leases office equipment under an operating lease expiring in June 2026. Future minimum lease payments under this operating lease are as follows:

Years Ending June 30:	
2022	\$ 3,300
2023	3,300
2024	3,300
2025	3,300
Thereafter	<u>1,650</u>
Total	<u>\$ 14,850</u>

Rent expense under all operating leases totaled \$2,800 and \$2,800, for the years ended June 30, 2021 and 2020, respectively.

13. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus as a “pandemic.” First identified in late 2019 and known now as COVID-19, the outbreak has impacted individuals worldwide. In response, many countries have implemented measures to combat the outbreak which have impacted global business operations.

COVID-19 will impact various segments of the Organization’s fiscal 2022 operations and financial results. Management believes that the Organization is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still developing.