



ALLEY CAT ALLIES, INC.

FINANCIAL STATEMENTS

JULY 31, 2022

ALLEY CAT ALLIES, INC.

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Independent Auditor's Report

Board of Directors
Alley Cat Allies, Inc.
Bethesda, Maryland

Opinion

We have audited the accompanying financial statements of Alley Cat Allies, Inc. (the Organization), which comprise the statement of financial position as of July 31, 2022, 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 present fairly, in all material respects, the financial position of the Organization as of July 31, 2022, 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 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit 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 the 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 the Organization'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 Responsibilities 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

Misstatements are considered material if there is a 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 the Organization'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 the Organization'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.

Councilor, Buchanan + Mitchell, P.C.

Bethesda, Maryland
March 24, 2023

Certified Public Accountants

ALLEY CAT ALLIES, INC.

STATEMENT OF FINANCIAL POSITION
JULY 31, 2022

Assets	
Cash and Cash Equivalents	\$ 9,211,413
Investments	2,529,153
Contributions and Bequests Receivable	282,314
Prepaid Expenses	257,994
Investments Restricted for Charitable Gift Annuities	224,974
Beneficial Interest in Charitable Remainder Trust	232,508
Security Deposit	21,570
Property and Equipment, Net	<u>1,980,505</u>
Total Assets	<u>\$ 14,740,431</u>
Liabilities and Net Assets	
Liabilities	
Accounts Payable and Accrued Expenses	\$ 987,636
Charitable Gift Annuities Payable	91,916
Capital Leases Payable	2,784
Deferred Rent	<u>49,165</u>
Total Liabilities	1,131,501
Net Assets	
Without Donor Restrictions	13,094,550
With Donor Restrictions	<u>514,380</u>
Total Net Assets	<u>13,608,930</u>
Total Liabilities and Net Assets	<u>\$ 14,740,431</u>

See accompanying Notes to Financial Statements.

ALLEY CAT ALLIES, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JULY 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue			
Contributions	\$ 10,170,907	\$ -	\$ 10,170,907
Legacies and Bequests	3,397,591	35,036	3,432,627
Federated and Nonfederated Campaigns	8,402	45,575	53,977
Investments Loss	(339,314)	-	(339,314)
Other Income	35,719	-	35,719
Change in Split-Interest Gifts	(11,328)	(44,440)	(55,768)
Gain on Sale of Property and Equipment	83,877	-	83,877
Net Assets Released from Restrictions	590,447	(590,447)	-
Total Revenue	13,936,301	(554,276)	13,382,025
Expenses			
Program Services			
Advocacy	5,623,250	-	5,623,250
Humane Care, Humane Education, and Outreach	2,900,840	-	2,900,840
Law and Policy	723,487	-	723,487
Total Program Services	9,247,577	-	9,247,577
Supporting Services			
Management and General	912,634	-	912,634
Development	533,845	-	533,845
Total Supporting Services	1,446,479	-	1,446,479
Total Expenses	10,694,056	-	10,694,056
Change in Net Assets	3,242,245	(554,276)	2,687,969
Net Assets, Beginning of Year	9,852,305	1,068,656	10,920,961
Net Assets, End of Year	\$ 13,094,550	\$ 514,380	\$ 13,608,930

See accompanying Notes to Financial Statements.

ALLEY CAT ALLIES, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JULY 31, 2022

	Program Services				Supporting Services		
	Advocacy	Humane Care, Education, and Outreach	Law and Policy	Total Program Services	Management and General	Development	Total Supporting Services
Salaries, Benefits, and Other Personnel Expenses	\$ 758,492	\$ 309,104	\$ 279,916	\$ 1,347,512	\$ 152,218	\$ 13,443	\$ 165,661
Printing, Postage, and Caging	1,987,205	19,608	5,782	2,012,595	2,775	170,487	173,262
Professional Services	1,976,426	737,959	197,075	2,911,460	662,972	117,243	780,215
Grant Expense	100,000	261,856	-	361,856	-	-	-
Supplies Expense	17,583	632,182	2,932	652,697	1,409	1,135	2,544
General Operating Costs	160,101	95,840	65,257	321,198	14,879	140,607	155,486
Rent and Building Costs	309,795	159,049	135,561	604,405	68,363	66,074	134,437
Computer Expense	231,583	17,959	29,496	279,038	6,384	21,216	27,600
Media and Promotion Costs	18	502,854	8	502,880	4	4	8
Travel and Transportation	82,047	164,429	7,460	253,936	3,630	3,636	7,266
Total	\$ 5,623,250	\$ 2,900,840	\$ 723,487	\$ 9,247,577	\$ 912,634	\$ 533,845	\$ 1,446,479
							\$ 10,694,056

See accompanying Notes to Financial Statements.

ALLEY CAT ALLIES, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JULY 31, 2022

Cash Flows from Operating Activities	
Change in Net Assets	\$ 2,687,969
Adjustment to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation and Amortization	98,626
Loss on Investments	468,859
Donated Securities Received	(270,580)
Gain on Sale of Property and Equipment	(83,877)
<u>(Increase) Decrease in Assets</u>	
Contributions and Bequests Receivable	512,888
Beneficial Interest in Remainder Trust	44,440
Prepaid Expenses	10,147
Security Deposit	6,200
<u>Increase (Decrease) in Liabilities</u>	
Accounts Payable and Accrued Expenses	(44,570)
Charitable Gift Annuities Payable	21
Deferred Rent	(4,377)
Net Cash Provided by Operating Activities	3,425,746
Cash Flows from Investing Activities	
Purchases of Investments	(141,393)
Purchases of Property and Equipment	(380,442)
Proceeds from Sale of Property and Equipment	658,182
Net Cash Provided by Investing Activities	136,347
Cash Flows from Financing Activities	
Principal Payments on Capital Leases Payable	(4,094)
Net Cash Used in Financing Activities	(4,094)
Net Increase in Cash and Cash Equivalents	3,557,999
Cash and Cash Equivalents, Beginning of Year	5,653,414
Cash and Cash Equivalents, End of Year	<u>\$ 9,211,413</u>

See accompanying Notes to Financial Statements.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Alley Cat Allies, Inc. (the Organization), was incorporated under the laws of the State of Delaware on October 16, 1991.

Alley Cat Allies, Inc.'s mission is to transform and develop communities to protect and improve the lives of cats.

The Organization is funded primarily by contributions, including legacies and bequests.

The major programs of the Organization are as follows:

Advocacy

The Organization's mission is met primarily through advocacy.

The Organization empowers and mobilizes citizens to change policies in their own communities that dictate how animals are treated. Citizens around the country and world request the Organization's help to engage lawmakers so new laws are passed in their city and state to better protect the lives of cats and other animals.

Internationally, the Organization focuses on helping advance lifesaving policies at local and regional government levels. At the national level in the United States and in other nations, the Organization advocates to shift societal views and national policies and laws.

The Organization's shelter reform program creates lifesaving and life enhancing policies for cats in hundreds of local shelters including government agencies, contracted shelters, and nonprofit humane societies which receive private and public funding.

The Organization's goal is to create a society in which cats are not subject to cruelty and lethal "control" schemes. The Organization is working toward transformational societal change, with a particular, but not exclusive, focus on compassion for animals, community empowerment, and community cohesion. This work includes environmental care and sustainability. All of the Organization's work hinges on society having sufficient resources, vibrant communities, and a healthy planet.

Humane Care, Humane Education, and Outreach

The Organization provides multiple programs to help directly with animals. The Organization's direct care includes - but is not limited to - hands-on veterinary treatment including spay and neuter, vaccinations, treatment of illnesses, emergency surgery; provision of food and supplies to rescue groups and caregivers; and delivery of food for distribution to families in need.

The Organization provides grants and published resources, workshops and online webinars, and collaborates with grassroots groups, individuals, and community leaders to build alliances and update ordinances that impact animals. The Organization's humane education, direct care, rescue efforts, and kitten care efforts are extensive in scope and in terms of locality, spans both the United States and beyond. The Organization has worked extensively in states including Louisiana, Florida, Texas, New Jersey, and California to further mission impact.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Humane Care, Humane Education, and Outreach (Continued)

The Organization provides funding and resources to nonprofit 501(c)(3) entities to support high-volume spay and neuter and vaccination, microchip clinics, as well as veterinary care and Trap-Neuter-Return (TNR), Return-to-Field (RTF), and Shelter-Neuter-Return (SNR). The Organization responds to natural and human disasters and provide relief, emergency funding, and transport.

The Organization responds in crises, conducts rescue work, and assists geographically and/or economically displaced families to stay together with their animal family members.

Law and Policy

The many policy and legal issues with which the Organization engages includes Trap-Neuter-Return, Return-to-Field, Shelter-Neuter-Return ordinances; legislation that bans declawing; policies that replace 'lethal cat control schemes' with nonlethal cat management policies rooted in compassionate conservation; and the rescission of feeding bans. The Organization's goal is to improve the lives of cats, giving them a much better quality of life.

The Organization organizes grassroots groups and individuals. The Organization provides trainings, teaches best practices, drafts bills and policies, conducts research, shares scientific findings and other supporting information, provides support of legal challenges, and more. The Organization provides guidebooks and trainings to educate citizens on how local ordinances are passed and changed, how local political decisions are made, and on how to effectively advocate for change.

The Organization provides resources to achieve justice in cat cruelty cases, to see that laws that endanger cats are abolished, and to help ensure the passage of humane ordinances and state laws with progressive language that protects cats, other animals, and caregivers.

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting. Consequently, revenue is recognized when earned and expenses when incurred.

Income Taxes

The Organization is exempt under Section 501(c)(3) of the Internal Revenue Code (the Code) from the payment of taxes on income other than unrelated business income. No provision for income tax is required for the year ended July 31, 2022, as the Organization had no net unrelated business income. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code.

The Organization requires that a tax position be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The Organization does not believe its financial statements include, or reflect, any uncertain tax positions.

The Organization's IRS Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the taxing authorities, generally for three years after filing.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash and cash equivalents include cash in checking accounts and short-term investments with an original maturity of three months or less, excluding amounts held in the investment accounts.

Investments

Investments are recorded at fair market value.

Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

Contributions and Bequests Receivable

Contributions and bequests receivable consist primarily of amounts due from pledges that were not received by the Organization at year end. Management reviews the collectability of the accounts on a regular basis. No reserve for doubtful accounts is deemed necessary as all amounts are deemed to be fully collectible. Contributions are recognized when the donor makes an unconditional promise to give. All amounts are expected to be collected within the next fiscal year.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or fair market value at date of donation, if contributed, and depreciated over the estimated useful lives using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the related lease or estimated useful life of the asset. Repairs and maintenance costs are expensed as incurred. The Organization follows the practice of capitalizing all expenditures for property and equipment exceeding \$5,000.

Contributions, Including Legacies and Bequests

The Organization reports unconditional gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed conditions and/or restrictions that are met in the same reporting period are reported as unconditional contributions without donor restrictions.

Deferred Rent

The Organization's lease for office space includes predetermined annual increases in rent payments. The lease also contains rent abatements. Generally accepted accounting principles require that lease expense for such operating leases be recognized on a straight-line basis over the life of the lease. Accordingly, a deferred rent liability has been established for the predetermined annual increases and rent abatement.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses

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. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, benefits, and other personnel expenses, rent and building costs, and general operating costs. These expenses are allocated on the basis of estimates of time and effort by employees or on the basis of headcount. Expenses directly identifiable to specific programs and supporting activities are presented accordingly.

Estimates

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

Upcoming Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-02, *Leases* (Topic 842) supersedes the leasing guidance in (Topic 840), *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The new standard is effective for fiscal years beginning after December 15, 2021. Management has not evaluated the impact of the pending adoption of the new standard on the financial statements.

2. LIQUIDITY AND AVAILABLE RESOURCES

The Organization's cash flows have seasonal variations due to the timing of receipt of contributions, legacies and bequests, and vendor payments made. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As of July 31, 2022, the following financial assets and liquidity sources are available for general operating expenditures for the year ending July 31, 2023:

Description	Amount
Cash and Cash Equivalents	\$ 9,211,413
Investments	2,529,153
Contributions and Bequests Receivable	282,314
Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 12,022,880</u>

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

2. LIQUIDITY AND AVAILABLE RESOURCES (CONTINUED)

The Organization also had a \$500,000 line of credit which could be utilized to meet cash flow needs. This line of credit expired subsequent to year end.

3. CONCENTRATIONS

The Organization maintains cash balances at financial institutions in the Washington, D.C., metropolitan area. The accounts at these institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization also maintains an account with a brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000 (with a limit of \$100,000 for cash) by the Securities Investor Protection Corporation. At times during the year, the Organization's cash and securities balances exceeded the insured amounts. Management monitors the risk but does not anticipate any credit losses and has not experienced any credit losses on these financial instruments.

As of July 31, 2022, the beneficial interest in remainder trust was from one trust.

4. SPLIT-INTEREST AGREEMENTS

Charitable Gift Annuities

The Organization has entered into contracts with annuitants to pay periodic stipulated payments to the annuitants or other designated individuals that terminate at specified times. The Organization records a liability based on the present value of the future payments resulting from the annuity contracts at the date of the gift. The excess (or deficiency) in the amount of each annuity gift over the liability is recorded as contributions in the accompanying statement of activities.

The present value of payments to beneficiaries of gift annuities is calculated using discount rates which represent the risk-free rates in existence at the date of gift. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the statement of activities.

Beneficial Interest in Remainder Trust

The Organization is one of the beneficiaries of an irrevocable charitable trust (the Trust) established by a donor. Under terms of the Trust, the Organization receives annual distributions from the Trust's investment income and will receive 7.5% of the Trust's remainder principal in fiscal year 2025.

The present value of the Trust's principal is calculated using discount rates which represent the risk-free rates. Gains or losses resulting from changes in actuarial assumptions and accretions of the discount are recorded as increases or decreases in the respective net asset class in the statement of activities.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS JULY 31, 2022

5. RETIREMENT PLANS

The Organization maintains both a 403(b) tax deferred annuity plan (the 403(b) Plan) and a money purchase plan (the MP Plan) for eligible employees. Under the 403(b) Plan, employees may elect to defer a portion of their compensation up to certain Internal Revenue Service limits. The MP Plan provides for a match of up to 2% of compensation based on employee deferrals to the 403(b) Plan and an additional employer contribution of 3% of compensation. Employees vest in the MP Plan based on length of service. For the year ended July 31, 2022, the Organization made contributions to both plans totaling approximately \$45,000.

6. FAIR VALUE MEASUREMENTS

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels as follows:

Level 1 - inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets (examples include mutual funds);

Level 2 - inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability other than quoted prices, either directly or indirectly, including inputs in markets that are not considered to be active (examples include corporate or municipal bonds);

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement. The inputs into the determination of fair value require significant management judgment (examples include certain private equity securities and split-interest agreements).

The following presents the Organization's assets measured at fair value as of July 31, 2022:

July 31, 2022	Level 1	Level 2	Level 3	Total
Equity Securities and Mutual Funds	\$ 2,424,619	\$ -	\$ -	\$ 2,424,619
Cash, Held in Investment Accounts	329,508	-	-	329,508
Subtotal	2,754,127	-	-	2,754,127
Beneficial Interest in Charitable Remainder Trust	-	232,508	-	232,508
Total	\$ 2,754,127	\$ 232,508	\$ -	\$ 2,986,635

Level 1 investments are valued based on quotations as reported on national exchanges. The beneficial interest in the charitable remainder trust (the Trust) was valued using the Organization's pro-rata percentage interest in the Trust and the present value of the quoted market prices for the Trust assets, which are all Level 1 or Level 2 investments. The Level 2 investments are valued based on comparable values for similar securities. The beneficial interest in the Trust is treated as a Level 2 investment since it contains both Level 1 and Level 2 securities.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

7. PROPERTY AND EQUIPMENT

As of July 31, 2022, the Organization's property and equipment consisted of the following:

<u>Description</u>	<u>Amount</u>
Equipment	\$ 469,847
Equipment Held under Capital Leases	19,565
Software and Website	559,071
Furniture and Fixtures	177,281
Land	1,349,919
Buildings	581,932
Vehicles	236,263
Leasehold Improvements	95,304
Other Assets	32,519
	<u>3,521,701</u>
Less Accumulated Depreciation and Amortization	<u>(1,541,196)</u>
Property and Equipment, Net	<u><u>\$ 1,980,505</u></u>

8. OFFICE LEASING ARRANGEMENT

The Organization has a lease for office and storage space which was to expire in June 2021. In addition to the base rent, the Organization is required to pay its pro-rata share of operating expenses and real estate taxes over the base amount.

During the year ended July 31, 2021, the Organization amended the lease two times. In August 2020, the Organization amended the lease to reduce the square footage. In March 2021, the Organization amended the lease to extend the office space lease through June 30, 2024, and to extend the storage space until November 1, 2021. Effective March 1, 2021, monthly lease payments increased approximately 2.2% annually. Under the amendment signed in March 2021, 50% of the first six months of rent are abated under the extension.

For the year ended July 31, 2022, rent expense was approximately \$270,600.

The future minimum lease payments under the operating leases are as follows:

<u>For the Years Ending July 31,</u>	<u>Amount</u>
2023	\$ 293,216
2024	274,504
Total Future Minimum Lease Payments	<u><u>\$ 567,720</u></u>

9. CAPITAL LEASING ARRANGEMENT

During the year ended July 31, 2019, the Organization began leasing office equipment under capital leases which expire in August 2023. The assets and liabilities under the capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. The assets are amortized over the shorter of the related lease term or the estimated useful life. Amortization on the equipment held under the capital leases is included with depreciation expense. Accumulated amortization of the assets held under capital leases was approximately \$17,000 as of July 31, 2022.

ALLEY CAT ALLIES, INC.

**NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022**

9. CAPITAL LEASING ARRANGEMENT (CONTINUED)

The following is a schedule of future minimum lease payments under the capital leases:

<u>For the Years Ending July 31,</u>	<u>Amount</u>
2023	\$ 2,766
2024	62
Total Minimum Lease Payments	2,828
Less Amount Representing Interest	(44)
Present Value of Net Minimum Lease Payments	<u>\$ 2,784</u>

10. NET ASSETS WITH DONOR RESTRICTIONS

As of July 31, 2022, the Organization's net assets with donor restrictions were available for the following purposes:

<u>Purpose</u>	<u>Amount</u>
Subsequent Years' Activities	\$ 514,380
Total Net Assets With Donor Restrictions	<u>\$ 514,380</u>

For the year ended July 31, 2022, net assets were released from restrictions by incurring expenses satisfying the purpose restrictions or time restrictions as follows:

<u>Purpose</u>	<u>Amount</u>
Subsequent Years' Activities	\$ 590,447
Net Assets Released from Restrictions	<u>\$ 590,447</u>

11. ALLOCATION OF JOINT COSTS

During the year ended July 31, 2022, the Organization conducted activities that included requests for contributions and program components. Those activities included mail campaigns informational materials and program activities. The total joint costs of conducting these activities for the year ended July 31, 2022, which are not specifically attributable to particular components of the activities, were allocated as follows:

<u>Description</u>	<u>Amount</u>
Program Services Expenses	\$ 1,701,119
Development Expenses	147,923
Total Joint Costs	<u>\$ 1,849,042</u>

12. LINE OF CREDIT

During the year ended July 31, 2022, the Organization maintained a \$500,000 secured line of credit with a bank. Interest on the line of credit was charged at prime plus 1%, but would never be less than 4.25%. The line was collateralized by all of the Organization's assets and was subject to certain covenants as stipulated by the lender. As of July 31, 2022, there was no line of credit account balance.

This line of credit expired subsequent to year end on October 29, 2022.

ALLEY CAT ALLIES, INC.

NOTES TO FINANCIAL STATEMENTS
JULY 31, 2022

13. RELATED PARTY TRANSACTIONS

During the year ended July 31, 2022, the Organization incurred legal and related expenses of approximately \$95,000 for services and reimbursable costs provided by a law firm of which one of the Organization's board members is a partner.

14. SUBSEQUENT EVENTS

Subsequent to July 31, 2022, the Organization entered into employment related contracts. These contracts include severance packages upon termination if certain requirements are met. In addition, the contracts specify compensation and benefits.

Subsequent to July 31, 2022, the Organization also sold two buildings and the related land resulting in net proceeds of approximately \$665,000 and \$454,000, respectively.

Subsequent events were evaluated through March 24, 2023, which is the date the financial statements were available to be issued.