

WildCare and Friends of WildCare

Combined Financial Statements

For the Year Ended September 30, 2021

(with Summarized Financial Information

For the Year Ended September 30, 2020)

WildCare and Friends of WildCare
(California Not-For-Profit Corporations)
September 30, 2021 and 2020

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INDEPENDENT AUDITORS' REPORT

The Boards of Directors
WildCare and Friends of WildCare:

We have audited the accompanying combined financial statements of WildCare and Friends of WildCare (two California not-for-profit organizations under Section 501(c)(3) of the Internal Revenue Code), which comprise the combined statement of financial position as of September 30, 2021, and the related combined statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' 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 entities' 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 combined financial statements.

Perotti & Carrade | Certified Public Accountants

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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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of WildCare and Friends of WildCare as of September 30, 2021, and the changes in combined net assets and combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from WildCare and Friends of WildCare's September 30, 2020 combined financial statements. In our report dated January 21, 2021, we expressed an unmodified opinion on those combined financial statements.

January 13 , 2022

Perotti & Canade

WILDCARE and FRIENDS OF WILDCARE
 Combined Statement of Cash Flows
 Year Ended September 30, 2021
 (with Summarized Financial Information for the Year Ended September 30, 2020)

| | <u>2021</u> | <u>2020</u> |
|------------------------------------------------------------------------------------------------------------|---------------------|---------------------|
| Operating activities: | | |
| Increase in net assets | \$ 502,534 | \$ 303,010 |
| Adjustments to reconcile to cash provided by operating activities: | | |
| Depreciation | 16,314 | 12,110 |
| Unrealized (gains) losses on investments | 65,351 | 4,293 |
| Gain on sale of assets | (1,060) | - |
| Forgiveness of debt - PPP Loan | (329,000) | - |
| (Increase) decrease in operating assets: | | |
| Accounts, grants, and pledges receivable | 185,001 | 997,039 |
| Prepaid expenses and other assets | 8,855 | (39,484) |
| Deposits | 3,482 | (1,832) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued liabilities | 7,934 | (110,030) |
| Accrued interest payable | 3,440 | (2,310) |
| Payroll liabilities | (27,215) | 26,747 |
| Unearned revenue | 13,032 | (31,514) |
| Net cash provided by operating activities | <u>448,668</u> | <u>1,158,029</u> |
| Investing activities: | | |
| Acquisition of property and equipment | <u>(109,059)</u> | <u>(62,679)</u> |
| Net cash used by investing activities | <u>(109,059)</u> | <u>(62,679)</u> |
| Financing activities: | | |
| Proceeds from notes payable | 329,000 | 479,000 |
| Proceeds from sale of fixed assets | 4,067 | - |
| Payoff of note | - | (100,000) |
| Net cash provided by investing activities | <u>333,067</u> | <u>379,000</u> |
| Net increase in cash and cash equivalents | 672,676 | 1,474,350 |
| Cash and cash equivalents, at beginning of year | <u>2,125,565</u> | <u>651,215</u> |
| Cash and cash equivalents, at end of year | <u>\$ 2,798,241</u> | <u>\$ 2,125,565</u> |
| Reconciliation of Cash and Cash Equivalents to Amounts Reported on the Statement of Financial Position: | | |
| Cash and cash equivalents | \$ 2,414,875 | \$ 1,665,478 |
| Cash and cash equivalents, restricted for facility expansion | 383,366 | 460,087 |
| | <u>\$ 2,798,241</u> | <u>\$ 2,125,565</u> |
| Supplementary Information: | | |
| Interest paid | <u>\$ 4,081</u> | <u>\$ 1,753</u> |

See accompanying auditors' report and notes to financial statements.

WILDCARE and FRIENDS of WILDCARE
Combined Statement of Functional Expenses
Year Ended September 30, 2021
(with Summarized Financial Information for the Year Ended September 30, 2020)

| | Program Activities | | | Supporting Activities | | 2021 | 2020 |
|----------------------------------------------------------------------------------|---------------------|--------------------|---------------------|-----------------------|-------------------|---------------------|---------------------|
| | Animal Care | Wildlife Education | Total | Management & General | Fundraising | Total Expenses | Total Expenses |
| Salaries and wages | \$ 679,407 | \$ 371,751 | \$ 1,051,158 | \$ 136,736 | \$ 236,439 | \$ 1,424,333 | \$ 1,465,693 |
| Payroll taxes | 66,257 | 36,254 | 102,511 | 13,335 | 23,058 | 138,904 | 113,730 |
| Employee benefits | 96,473 | 52,787 | 149,260 | 19,416 | 33,573 | 202,249 | 205,674 |
| Total salaries, taxes, and benefits | 842,137 | 460,792 | 1,302,929 | 169,487 | 293,070 | 1,765,486 | 1,785,097 |
| Advertising and promotion | 5,991 | 3,278 | 9,269 | 1,206 | 2,085 | 12,560 | 651 |
| Animal care and food | 54,465 | - | 54,465 | - | - | 54,465 | 41,174 |
| Bad debt expense | - | - | - | - | 200,000 | 200,000 | 5,707 |
| Depreciation | 7,782 | 4,258 | 12,040 | 1,566 | 2,708 | 16,314 | 12,110 |
| Direct marketing | 80,263 | 40,132 | 120,395 | - | 80,263 | 200,658 | 222,265 |
| Dues, fees, and other charges | 19,689 | 10,773 | 30,462 | 6,347 | 6,852 | 43,661 | 34,957 |
| Equipment leases and purchase | 6,782 | 3,709 | 10,491 | 1,365 | 2,360 | 14,216 | 15,025 |
| Meals and entertainment | - | - | - | - | 29,649 | 29,649 | 22,770 |
| Hospital supplies and services | 37,630 | - | 37,630 | - | - | 37,630 | 29,416 |
| In-kind legal and professional services | 40,883 | 40,883 | 81,766 | 81,766 | - | 163,532 | 86,189 |
| Insurance | 12,135 | 6,640 | 18,775 | 2,442 | 4,223 | 25,440 | 26,200 |
| Interest expense | - | - | - | 4,081 | - | 4,081 | 1,753 |
| Maintenance and repair | 11,321 | 6,195 | 17,516 | 2,278 | 3,940 | 23,734 | 16,905 |
| Meetings and conferences | - | - | - | - | - | - | 5,876 |
| Miscellaneous | 60 | 36 | 96 | 13 | 23 | 132 | 709 |
| Occupancy | 230 | 126 | 356 | 46 | 80 | 482 | 14,532 |
| Outside services | 62,814 | 49,460 | 112,274 | 20,486 | 76,908 | 209,668 | 182,921 |
| Postage and delivery | 3,286 | 1,798 | 5,084 | 661 | 1,144 | 6,889 | 6,153 |
| Printing and publications | 1,933 | 1,933 | 3,866 | - | 3,867 | 7,733 | 12,754 |
| Program materials | - | 26,795 | 26,795 | - | - | 26,795 | 4,211 |
| Property taxes | 2,034 | 1,113 | 3,147 | 409 | 708 | 4,264 | 4,181 |
| Scholarships, grants, and awards | 700 | 300 | 1,000 | - | - | 1,000 | 800 |
| Supplies | 1,833 | 1,003 | 2,836 | 369 | 638 | 3,843 | 2,780 |
| Telephone and internet | 18,083 | 9,894 | 27,977 | 3,639 | 6,293 | 37,909 | 43,983 |
| Transportation and travel costs | 2,906 | 1,776 | 4,682 | 585 | 1,011 | 6,278 | 10,076 |
| Utilities | 18,418 | 10,078 | 28,496 | 3,707 | 6,410 | 38,613 | 30,821 |
| Volunteer expenses | 1,103 | 473 | 1,576 | - | - | 1,576 | 2,463 |
| Total expenses | 1,232,478 | 681,445 | 1,913,923 | 300,453 | 722,232 | 2,936,608 | 2,622,479 |
| Less expenses included with revenues on the statements of activities | | | | | | | |
| Cost of direct benefits to donors | - | - | - | - | (29,649) | (29,649) | (22,770) |
| Total expenses included in expense section of the statement of activities | \$ 1,232,478 | \$ 681,445 | \$ 1,913,923 | \$ 300,453 | \$ 692,583 | \$ 2,906,959 | \$ 2,599,709 |

See accompanying auditors' report and notes to financial statements.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

1. Organization

WildCare is a California-based 501(c)(3) nonprofit public benefit corporation which was created in 1994 as the result of a merger between the California Center for Wildlife and the Terwilliger Nature Education Center. Friends of WildCare is a 501(c)(3) nonprofit organization incorporated in California on December 18, 2017, for the purpose of holding assets and raising funds in support of acquiring and developing expanded facilities for WildCare. WildCare and Friends of WildCare operate on the same site as the predecessor organization, which had been operating there since 1954.

WildCare is a wildlife hospital and environmental education center based in San Rafael, California. For over 60 years, WildCare has been a first responder to wildlife that share the same habitat as humans. Annually, its hospital provides emergency and ongoing medical care to about 3,500 animals from more than 200 distinct species. Nearly 99% of the wild animals assisted by the organization have been injured in some way as a result of human interaction. In addition to giving sick and injured wild animals and birds a second chance at life, WildCare works to encourage humans to live well with wildlife. To that end, its environmental education programs reach over 35,000 school children and adults annually. WildCare maintains a hotline responding to callers seeking information about local wildlife and advising home-owners on solutions to handle wildlife issues.

2. Summary of Significant Accounting Policies

Basis of Accounting

The combined financial statements of WildCare and Friends of WildCare (jointly the “Entities”) have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

The Entities present combined financial statements because they have common control through the same Board of Directors and management. All significant intercompany accounts and transactions have been eliminated in the combined financial statements. Certain amounts of the 2020 financial statements have been reclassified to conform with the current year presentation

The Entities report information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Entities and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Entities. The Entities’ board may designate assets without restrictions for specific operational purposes from time to time.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies *(continued)*

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Entities or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Contributions

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted or conditioned contributions whose restrictions or conditions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as net assets without donor restriction upon acquisition of the assets.

Approximately 20% of the Entities total revenue and support came from one donor.

Grants and Accounts Receivable Realization

An allowance for doubtful accounts reflects management's best estimate of probable losses inherent in grants and accounts receivable balances. Management primarily determines the allowance based on the aging of accounts receivable balances. Receivables are generally considered past due once a receivable is not paid within thirty days of contract terms. It is the Entities' policy to not charge interest on its receivables. Receivables are written off once management has determined the ability to collect is not possible. An allowance of \$115,000 to pledges with donor restrictions was deemed necessary as of September 30, 2021.

Cash and Cash Equivalents

The Entities consider all highly liquid investments (checking, savings, money markets, and certificates of deposits) with a maturity of three months or less when purchased to be cash equivalents.

The Entities maintain a majority of their cash in bank deposit accounts which, at times, may exceed federally insured limits of \$250,000. The Entities attempt to limit credit risks associated with cash equivalents by utilizing highly rated financial institutions. Management believes the Entities are not exposed to any significant credit risk relating to its cash deposits.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies *(continued)*

Investments

Investments include cash, stocks, and mutual funds. Purchased investments are initially stated at cost. Investments received by gift are recorded at market value at the date of contribution. The policy of the Entities is not to hold any other investments and to immediately liquidate stock donations, transferring proceeds temporarily held in money market funds of the brokerage account to the operating bank account.

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments, is presented in the statement of activities in accordance with donor restrictions as investment return. Investment return is presented net of investment fees. The average cost method is primarily used to determine the basis for computing realized gains or losses.

The Entities adopted a framework for measuring fair value. Fair value is defined as the price that would be received to sell the asset or would be paid to transfer the liability in an orderly transaction between market participants. The Entities' financial assets shown at fair value include investments and grants and pledges receivable.

Unearned Revenue

Unearned revenue represents amounts billed or received in advance for educational programs scheduled to be given during the following year. Such amounts have been reflected as a current liability on the combined statement of financial position and will be recognized as earned revenue in the subsequent year when the programs are provided.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs, including personnel costs, insurance, depreciation, and rent, have been allocated among animal services programs, educational programs, and supporting services benefited. Such allocations are determined by management based upon an analysis of time and effort spent on the programs and supportive services.

Use of Estimates

The preparation of combined 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 combined financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies *(continued)*

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets with lives that range from building and improvements (5-10 years); furniture and equipment (3-15 years). The cost of property and equipment which benefit future periods is capitalized and depreciated over the estimated useful life of each class of depreciable asset. At the early stages of constructing a new replacement building on the Entities' wholly-owned land, construction in process includes consulting fees for architects, environmental study engineers, campaign funding, and governmental review fees.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Income Taxes

Both of the Entities have received notification from the Internal Revenue Service and the State of California that they qualify for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that the Entities continue to satisfy all federal and state statutes in order to qualify for continued tax exemption status. Accordingly, the Entities are generally exempt from federal and state income taxes. The Entities' informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

3. Accounts, Grants, and Pledges Receivable

Accounts, grants, and pledges receivable are expected to be collected as follows:

| | |
|------------------------------------------------------------------|------------|
| Accounts, grants, and pledges receivable due within one year | \$ 28,504 |
| Accounts, grants, and pledges receivable due after one year, net | 717,583 |
| Subtotal | 746,087 |
| Less: unamortized discount | (39,800) |
| Subtotal | 706,287 |
| Total amounts due within one year | (28,504) |
| Total Accounts, grants, and pledges receivable long-term, net | \$ 677,783 |

Accounts, grants, and pledges receivable represent amounts due from various sources, including foundations, individuals, and others. Accounts, grants, and pledges receivable due in more than one year, net of allowance for doubtful accounts of \$115,000 to pledges with donor restrictions, are reflected at the present value of estimated future cash flows using a discount rate of 4% per annum (based on certain relevant data regarding the type of receivable).

**WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021**

3. Accounts, Grants, and Pledges Receivable *(continued)*

The Entities are in the process of a campaign to replace the existing building on the wholly-owned location. The accounts, grants, and pledges receivable due in more than one year are pledges received to help finance the project. During the year ended September 30, 2021 a pledge of \$200,000 was determined to be uncollectible and was written off to bad debt. The pledges are not required to be collected until a facilities expansion project is solidified.

4. Available Resources and Liquidity

The Finance Committee and senior management of the Entities regularly monitor liquidity required to meet operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Entities have various sources of liquidity at their disposal, including cash and cash equivalents, receivables, and pledges. In December 2019, the Entities obtained a \$250,000 line of credit from a local bank secured by a wholly-owned property consisting of land and building. The Entities have not drawn down on the line to date.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, management of the Entities consider all expenditures related to ongoing activities of the conduct of animal healthcare services, research, and teaching youth, family, and the general public about living well with wildlife and related environmental health concerns.

In addition to financial assets available to meet general expenditures over the next 12 months, the Entities operate with a balanced budget and anticipate collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

As of September 30, 2021, the following table shows the total financial assets held by the Entities which the Entities believe could readily be made available within one year of the balance sheet date to meet general expenditures.

| | |
|----------------------------------------------------------------------------------------|---------------------|
| Financial assets at year-end | |
| Cash and cash equivalents | \$ 2,798,241 |
| Accounts, grants, and pledges receivable | 28,504 |
| Less: Donor restricted net assets not available for general expenditures | <u>(433,366)</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 2,393,379</u> |

Cash and receivables with donor restrictions are assets of the Friends of WildCare Facilities Expansion fund dedicated to a new facility expansion project for WildCare and have not been taken into consideration as the resources will be used for property acquisition and renovations.

**WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021**

5. Property and Equipment

Property and equipment consist of the following at September 30, 2021:

| | |
|-----------------------------------|-------------------|
| Land | \$ 15,000 |
| Building and improvements | 182,901 |
| Construction in process | 99,685 |
| Furniture and equipment | 513,177 |
| Less accumulated depreciation | (634,682) |
| Total property and equipment, net | <u>\$ 176,081</u> |

6. Investments and Endowment

WildCare has an investment in a perpetual trust as well as being a designated beneficiary of another perpetual trust, both administered by Marin Community Foundation (MCF) which has variance power. The terms of the trusts mandate perpetual control of the corpus by the named trustee. WildCare is entitled to receive annually a portion of the funds' investment earnings in accordance with the MCF's spending policy. Excess earnings are applied toward the principal balance for future distribution. During the year ended September 30, 2021, WildCare received a distribution of \$2,047 from the investment in perpetual trust and \$12,950 from the designated beneficiary trust. During the year ended September 30, 2021, as noted below \$10,000 was added to the investment at the direction of the Board of Directors.

WildCare has reflected its investment in the perpetual trust given it was the donor which originated the investment. WildCare has not reflected in the financial statements the funds held in the account in which WildCare is solely the designated beneficiary as WildCare was not the original investor. Investments consist of the perpetual trust at September 30, 2021, with a fair value of \$62,353.

Endowment net asset composition by type of fund is summarized as follows as of September 30, 2021:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------|---------------------------------------|------------------------------------|--------------|
| Total investments | \$ 18,406 | \$ 43,947 | \$ 62,353 |

In prior years the Entities reported a block of 498 shares of stock as donor restricted investment assets. A foundation had been holding the shares for WildCare's benefit and transferred the investment to WildCare in 2009 when the foundation closed down. A prior auditor interpreted the transmittal letter as permanently restricting the stock. During the fiscal year ended September 30, 2021, an attorney specializing in not-for-profit accounting reviewed the transmittal letter and concluded the transmittal language did not constitute a donor restriction, but rather a donor suggestion. At the direction of the Board of Directors, the stock was sold for \$116,562 with \$100,000 being transferred to Friends of WildCare as a contribution restricted to use for the facilities expansion fund, \$10,000 contributed to the MCF perpetual trust, and the balance for use in general operations.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

6. Investments and Endowment *(continued)*

Changes in endowment net assets for the fiscal year ended September 30, 2021 is summarized as follows:

| | Without Donor Restrictions | With Donor Restrictions | Total |
|-------------------------------------------|---------------------------------------|------------------------------------|------------------|
| Endowment net assets at beginning of year | \$ 32,842 | \$ 94,862 | \$ 127,704 |
| Investment return and contributions: | | | |
| Contribution by the Board | 10,000 | | 10,000 |
| Investment income | 340 | - | 340 |
| Unrealized gains | 8,753 | - | 8,753 |
| Total investment increases | 19,093 | - | 19,093 |
| Reclassification and sale of stock | (31,061) | (50,915) | (81,976) |
| Grants paid | (2,047) | | (2,047) |
| Investment fees | (421) | | (421) |
| Endowment net assets at end of year | <u>\$ 18,406</u> | <u>\$ 43,947</u> | <u>\$ 62,353</u> |

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the Entities to retain as a fund of perpetual duration. There were no deficiencies of this nature that are required to be reported in net assets without donor restrictions as of September 30, 2021. Although there were no such deficiencies at September 30, 2021, future deficiencies could result from unfavorable market fluctuations that occur after the investment of new restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Directors. Investments of the Entities may decline below their original basis due to market fluctuations and unrealized losses which are beyond the control of management. Deficiencies of this nature, if any, would be reported in net assets without donor restrictions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Entities follow MCF's policy of appropriating for distribution each year a flexible amount that ensures spending will continue without deterioration of endowment principal. For the year ended September 30, 2021, MCF approved a spending level of 4.5% of the fair market value of the invested endowment fund.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

7. Fair Value Measurements

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on “observable inputs” other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on “unobservable inputs,” such as a company’s own estimates and pricing models.

Composition of assets utilizing fair value measurements on a recurring basis at September 30, 2021, is as follows:

| | Total | Level 1 | Level 2 | Level 3 |
|--------------------------------------|-------------------|----------------|------------------|------------------|
| Investment in perpetual trust | \$ 62,353 | \$ - | \$ - | \$ 62,353 |
| Accounts, grants, pledges receivable | 706,287 | - | 28,504 | 877,783 |
| Totals | <u>\$ 768,640</u> | <u>\$ -</u> | <u>\$ 28,504</u> | <u>\$740,136</u> |

The fair value of the equities is measured at quoted prices in active markets on the last trade day of the fiscal year. The Entities consider the measurement of its perpetual trust to be a Level 3 measurement within the fair value measurement hierarchy because even though that measurement is based on the unadjusted fair value of trust assets reported by the trustee, the Entities do not have the ability to direct the trustee on its investments.

A reconciliation of the activity during the year ended September 30, 2021 for the beneficial interest in the perpetual trust which are assets measured at fair value based on significant unobservable (nonmarket) information is as follows:

| | |
|-------------------------------------|------------------|
| Balance at September 30, 2020 | \$ 45,729 |
| Investment return and contributions | 19,093 |
| Distributions and fees | <u>(2,469)</u> |
| Balance at September 30, 2021 | <u>\$ 62,353</u> |

The significant unobservable inputs used in the fair value measurement of the entity’s receivables are the estimated present values of the future estimated cash flows. The income approach uses valuation techniques to convert future amounts (cash flows) to a single present amount (discounted). The measurement is based on the value indicated by current market expectations about those future amounts. Those valuation techniques principally include present value formulas which incorporate certain rate of return assumptions. There was no change in the Entities’ receivables measured at fair value based on significant unobservable information during the year ended September 30, 2021.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

8. Net Assets with Donor Restrictions

Changes in net assets with donor restrictions for the year ended September 30, 2021 consisted of the following:

| | 9/30/2020 | Contributions | Releases | 9/30/2021 |
|----------------------------------------------------------------|--------------------|-----------------|--------------------|--------------------|
| Facility expansion fund, net | \$1,340,870 | \$20,205 | \$(304,955) | \$1,056,120 |
| Restricted in perpetuity | 94,862 | | (50,915) | 43,947 |
| Grants for various animal care and wildlife education purposes | - | 50,000 | - | 50,000 |
| Totals | <u>\$1,435,732</u> | <u>\$70,205</u> | <u>\$(355,870)</u> | <u>\$1,150,067</u> |

9. Line of Credit

Wildcare has a \$250,000 line of credit which expired in December 2021 but was extended until February 2022. The line bears interest at 1.00% over prime (4.75% as of September 30, 2021) with a floor of 5.25%. The line is secured by a deed of trust on the San Rafael location. There were no borrowings against the line during the year ended September 30, 2021.

10. Notes Payable and Accrued Interest

During the year ended September 30, 2021, WildCare obtained funding pursuant to the CARES Act that Congress passed to provide emergency support to entities effected by the economic effects of the Covid-19 pandemic that struck the world in early 2020. In the fiscal year ended September 30, 2020, WildCare was granted a PPP (Paychex Protection Program) loan of \$329,000, an EIDL (Economic Injury Disaster Loan) of \$150,000, and an EIDL Advance of \$10,000. The EIDL loan accrues interest at 2.75% with payment to be deferred until June 15, 2021, at which time a monthly payment of \$641 was due and paid. Further payment was deferred until June, 2022. The PPP loan had a forgiveness factor which was subject to an application with the SBA (U.S. Small Business Administration) and the entire \$329,000 was forgiven as of December 10, 2020 at which time it was recognized as forgiveness of debt and recognized as revenue.

A second draw, commonly referred to as PPP2, in the same amount of \$329,000 was received on February 10, 2021 and recorded as a loan payable. In September 2021, WildCare was notified that applications could be filed for forgiveness of debt of PPP2 and WildCare filed an application which was accepted in the full amount of \$329,000 on December 6, 2021.

Debt from CARES Act loans consist of the following at September 30, 2021:

| | |
|--------------------------------------------------------|-------------------|
| Current portion of long-term debt and accrued interest | \$ 331,564 |
| Long-term portion of debt | 152,118 |
| Total | <u>\$ 483,682</u> |

**WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021**

10. Notes Payable and Accrued Interest *(continued)*

As of September 30, 2021, the future minimum principal and interest payments including \$329,000 of the PPP2 loan for which forgiveness of debt was granted in full on December 6, 2021, was as follows:

| | |
|------------|-----------|
| 2022 | \$331,564 |
| 2023 | 7,692 |
| 2024 | 7,692 |
| 2025 | 7,692 |
| 2026 | 7,692 |
| Thereafter | 121,350 |
| Total | \$483,682 |

12. Donated Services and Materials

The Entities' have received, valued, and recorded professional in-kind services. Donated services are included in the financial statements as in-kind donations under revenue as well as expense under donated in-kind legal and professional services of \$163,531 in the statement of functional expenses. Donated services are received from attorneys who donate their time to provide legal services to the Entities in the amount of \$159,381 and architects who have donated design services for a new facility in the amount of \$4,150.

13. Retirement Plans

WildCare maintains a 401(k) safe harbor profit sharing pension plan covering all eligible employees who have attained twenty-one years of age and have completed twelve months of service. Employees are eligible to make elective contributions up to the maximum amount allowed by the Internal Revenue Code under safe harbor rules. WildCare makes 100% matching contributions up to 3% of the employees' eligible compensation plus 50% of additional contributions made up to a total of 5% of eligible compensation, resulting in an effective 4% contribution for employees who elect to contribute 5% or more of their salary. WildCare contributed \$46,189 for the year ended September 30, 2021.

WildCare and Friends of WildCare
Notes to Combined Financial Statements
For the Year Ended September 30, 2021

14. Allocation of Joint Costs

The Entities incurred allocable joint costs during the year ended September 30, 2021 of \$200,658 for the informational materials and activities that included fundraising appeals. Of those costs, \$80,263 was allocated to fundraising expense and \$120,395 was allocated to public education. WildCare's mission is care of injured wild animals and education of the public on living well with nature. Whereas half of the Entities' mission is education, nearly all of the printed and online materials have educational aspects. These allocations were based on analyses of the costs pertaining to the underlying direct mail program and the educational and fundraising activities associated with various mailings.

15. Risks and Uncertainties

Covid 19 - In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries, including that of the Entities, has been impacted. The extent to which the pandemic will impact operations will depend on future developments, which are highly uncertain. Based on information known as of January 13, 2022, the Entities' management does not believe the pandemic will have a material adverse financial impact.

16. Subsequent Events

On December 6, 2021, the Small Business Administration (SBA) granted total forgiveness of debt to the PPP2 loan of \$329,000 and it was reclassified from Notes Payable to revenue and support.

In October 2021 there was significant flash flooding from heavy rains and the WildCare building was damaged. WildCare has flood insurance, and the adjustor is in the process of determining what damages are covered. Wildcare doesn't expect the uninsured portion to be material to the financial statements.

Subsequent events have been evaluated through January 13, 2022, the date the financial statements were available to be issued.