

MICHIGAN ANIMAL RESCUE LEAGUE
(A NOT-FOR-PROFIT ORGANIZATION)

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2020

MICHIGAN ANIMAL RESCUE LEAGUE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Michigan Animal Rescue League
Pontiac, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of Michigan Animal Rescue League (a not-for-profit organization), which comprise the statement of financial position as of December 31, 2020, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

To the Board of Directors of
Michigan Animal Rescue League
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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 financial statements referred to above present fairly, in all material respects, the financial position of Michigan Animal Rescue League as of December 31, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
September 30, 2021

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,209,442
Investments - unrestricted	4,052,577
Accounts receivable:	
Unrestricted donations	11,816
Other receivables	4,763
Pledges receivable, current portion	1,396,856
Prepaid expenses	19,174
Other assets	<u>18,650</u>

Total current assets 6,713,278

PROPERTY AND EQUIPMENT, net 6,490,381

PLEDGE RECEIVABLE, net 2,264,886

Total assets \$ 15,468,545

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 207,060
Accrued liabilities	30,855
Deferred revenue	2,500
Current portion of long-term debt	<u>299,536</u>

Total current liabilities 539,951

LONG-TERM DEBT 2,629,389

NET ASSETS

Without donor restrictions	9,344,347
With donor restrictions	<u>2,954,858</u>

Total net assets 12,299,205

Total liabilities and net assets \$ 15,468,545

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND OTHER SUPPORT			
Adoption	\$ 92,570	\$ -	\$ 92,570
Contributions	1,643,423	283,648	1,927,071
Forgiveness of PPP loan (See Note 11)	147,900	-	147,900
Grant	10,000	20,000	30,000
Non-Cash contributions	16,381	-	16,381
In-kind	99,784	-	99,784
Fundraising	375,586	-	375,586
Estate	140,983	-	140,983
Misc. Income	400	-	400
	<u>2,527,027</u>	<u>303,648</u>	<u>2,830,675</u>
Total revenue and other support			
Net assets release from restrictions	<u>2,378,882</u>	<u>(2,378,882)</u>	<u>-</u>
FUNCTIONAL EXPENSES			
Program services	1,129,074	-	1,129,074
Supporting services:			
Management and general	173,566	-	173,566
Fundraising	209,311	-	209,311
	<u>1,511,951</u>	<u>-</u>	<u>1,511,951</u>
Total functional expenses			
OTHER INCOME (EXPENSES)			
Dividend and interest income	95,478	-	95,478
Unrealized gain on investments	365,419	-	365,419
Realized gain on investments	23,555	-	23,555
Loss on sale of assets	(142,367)	-	(142,367)
	<u>342,085</u>	<u>-</u>	<u>342,085</u>
Total other income (expenses)			
CHANGE IN NET ASSETS	<u>3,736,043</u>	<u>(2,075,234)</u>	<u>1,660,809</u>
NET ASSETS , Beginning of year	<u>5,608,304</u>	<u>5,030,092</u>	<u>10,638,396</u>
NET ASSETS , End of year	<u>\$ 9,344,347</u>	<u>\$ 2,954,858</u>	<u>\$ 12,299,205</u>

MICHIGAN ANIMAL RESCUE LEAGUE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program	Management and General	Fundraising	Total
Salaries and Wages - Other	\$ 522,847	\$ 58,233	\$ 45,084	\$ 626,164
Salaries and Wages - Officers	-	22,788	68,366	91,154
Medical Care and Supplies	215,120	-	-	215,120
Depreciation and Amortization	98,561	5,187	-	103,748
Fundraising Expense	-	-	71,753	71,753
Payroll Taxes	46,270	5,153	3,990	55,413
Building Lease	40,500	4,500	-	45,000
Food and Supplies	32,339	-	-	32,339
Comprehensive Campaign Expenses	24,272	2,697	-	26,969
Utilities	23,774	2,438	-	26,212
Professional Fees and Memberships	-	14,650	11,032	25,682
Interest Expense	20,454	2,273	-	22,727
Repair and Maintenance	18,241	1,870	-	20,111
Insurance	18,047	1,851	-	19,898
Shelter Supplies	19,250	-	-	19,250
Office Expense	-	18,384	-	18,384
Bank Charges	4,242	12,725	-	16,967
Web Based Subscriptions	1,613	7,260	7,260	16,133
Advertising	5,691	8,684	396	14,771
Telephone and Internet	7,716	860	665	9,241
Vehicle and Transportation Expense	7,628	-	-	7,628
Storage Rental	5,860	653	505	7,018
Training and Education	3,767	-	-	3,767
Uniforms	3,354	-	-	3,354
Postage	582	2,327	-	2,909
License and Fees	2,360	172	260	2,792
Disposal	2,059	-	-	2,059
Alarm	1,478	-	-	1,478
Behavior and Socialization	1,348	-	-	1,348
Adoption refunds	900	-	-	900
Equipment Rental	169	488	-	657
Community Outreach	632	-	-	632
Property Taxes	-	373	-	373
Total Expenses	\$ 1,129,074	\$ 173,566	\$ 209,311	\$ 1,511,951

Michigan Animal Rescue League
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

OPERATING ACTIVITIES

Change in net assets	\$ 1,660,809
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	103,748
Loss on sale of assets	142,367
Unrealized gain on investments	(365,419)
Realized gain on investments	(23,555)
Proceeds from PPP loan	147,900
Forgiveness of PPP loan	(147,900)
Changes in assets and liabilities:	
Accounts receivable	4,520
Pledges receivable, net	(956,736)
Prepaid expenses	1,565
Inventories	2,463
Other assets	(15,550)
Accounts payable	(114,057)
Current portion long-term debt	299,536
Accrued payroll and related taxes	6,157
Deferred revenue	(3,700)
	<u>742,148</u>
Net cash provided by operating activities	<u>742,148</u>

INVESTMENT ACTIVITIES

Proceeds from sale of investments	15,326
Proceeds from sale of property and equipment	3,100
Purchase of property and equipment	(4,137,794)
	<u>(4,119,368)</u>
Net cash used in investment activities	<u>(4,119,368)</u>

FINANCING ACTIVITIES

Proceeds from long-term debt	2,629,389
	<u>2,629,389</u>
Net cash provided by financing activities	<u>2,629,389</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (747,831)

CASH AND CASH EQUIVALENTS, Beginning of Year 1,957,273

CASH AND CASH EQUIVALENTS, End of Year \$ 1,209,442

SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest	<u>\$ 22,727</u>
Non-cash contributions	<u>\$ 16,381</u>

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

The Michigan Animal Rescue League (the "Organization") is a not-for-profit Michigan Corporation recognized as exempt from Federal income taxes pursuant to Section 501 (c)(3) of the Internal Revenue Code. The Organization is engaged to operate an animal shelter in the City of Pontiac, and it is funded largely through donations from the general public. The Organization does not receive any city, state, or federal funding.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, prepaid expenses, payables, and other liabilities.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board (FASB). The FASB sets generally accepted accounting principles (GAAP) that the Organization follows to ensure they consistently report their financial condition, results of operations and cash flows. References to GAAP issued by the FASB in the following footnotes are the *FASB Accounting Standards Codification (ASC)*.

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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 organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

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 Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

At times the Organization has balances on deposit with certain institutions that may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk for cash. Cash in excess of federally insured limits approximated \$806,167 at December 31, 2020.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. In particular, the COVID-19 pandemic and the resulting adverse impact to global economic conditions, as well as the Organizations operations, may affect future estimates, including, but not limited to, the allowance for doubtful accounts.

Cash and Cash Equivalents and Concentration of Credit Risk

Organization considers as cash and cash equivalents all high liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Management believes all balances are collectible; accordingly, no allowance for doubtful accounts has been established. Receivables are determined to be past due based on contractual terms and are charged off when management determines the receivable will not be collected.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)

Estate donation receivables consist of wills and bequests for which the donor and all other life beneficiaries are deceased and are therefore irrevocable. Payment on these receivables is expected within the next year. The legacy and bequest receivable is deemed fully collectible as of December 31, 2020.

Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for doubtful accounts is determined based on management's evaluation of the collectability of individual promises.

Pledges Receivable

Pledges receivable consist of unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using the present value technique applied to anticipated cash flows.

Property and Equipment

Property and equipment is stated at cost, or if donated, at fair market value at the date of the gift. Expenditures for maintenance and repairs are charged to operating expenses. Adjustments of the asset and the related accumulated depreciation and amortization accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the Statement of Activities. The Organization capitalizes all items with a cost of \$1,000 or more if purchased or estimated fair value if donated and depreciated over their estimated useful life of three to thirty-nine years. Depreciation and amortization is calculated using the straight-line method.

Investments

The Organization records its investments in marketable equity securities in accordance with ASC topic *Not-for-Profit Entities Investments*. Investments are stated at fair values based upon quoted market prices using prevailing financial market information. Realized gains and losses represent the difference between the proceeds received and the cost of investments sold. Unrealized gains and losses represent the change in the market value of the investments during the year.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2020. This is primarily composed of prepayment of event sponsorships.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, and unconditional promise to give or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. The following explains the performance obligations related to each revenue stream and how they are recognized.

Adoption – The Organization recognizes revenue when payment is received and animal is adopted. The Organization does not take deposits on adoptable animals. Adoption fees are set. All dog adoptions are \$200 and cat adoptions are \$100 or two for \$150. Full amount of fee is considered Adoption Revenue.

Contributions – The Organization recognizes revenue when contribution is received or when a pledge is in writing with full intent of being paid.

Non Cash Contribution/In-Kind – The Organization recognizes revenue when services are received and a value is determinable. The performance obligation is to carry the Organization's mission in the best way possible for the animals & long-term future of the shelter.

Fundraising – The Organization recognizes revenue when in the year of the event. The Organization receives donations for the event, which are nonreciprocal. The donations have no restrictions.

Functional Allocation of Expenses

The cost of providing program and support services are reported on a functional basis in the statements of functional expense. Indirect costs including salaries and wages, fringe benefits, payroll taxes, supplies, insurance, depreciation and occupancy, have been allocated between the various programs and support services based on the percentage of the program or supportive service salaries as compared to the whole organization. Such allocations are determined by management on an equitable basis.

Functional Expenses

The Organization allocates its expenses on a functional basis among its program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated on various statistical bases. Although the methods used are considered reasonable, other methods could be used that would produce different results.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

The Organization is exempt from income tax under provisions of Internal Revenue Code Section 501(c)(3).

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold an income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2020, there were no uncertain tax positions that required accrual.

COVID-19

On March 11, 2020, the World Health Organization declared a novel strain of coronavirus disease (“COVID-19”) a pandemic. The extent of COVID-19’s effect on the Organization’s operational and financial performance will depend on future developments, including the duration, spread and intensity of the pandemic, all of which are uncertain and difficult considering the rapidly evolving landscape.

The Organization was greatly impacted by the COVID-19 pandemic. As a direct result of the limits on in-person contact during the majority of 2020, the Organization had cancelled a number of planned events following those mandates and some events were held virtually instead of in-person. As the Organization operates an animal shelter, the Organization’s shelter operations shifted during 2020 to limit the in-person contact with visits to the shelter by appointment only. The Organization received multiple grants during 2020 to support the Organization for COVID-19 relief assistance.

Advertising

The costs of advertising are expensed as incurred. Advertising expense for the year ended December 31, 2020 amounted to \$14,771.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 2 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,209,442
Operating investments	4,052,577
Accounts receivable	11,816
Pledges receivable - within 1 year	<u>1,396,856</u>
Total financial assets	6,670,691
Less amounts not available for general use	
With donor restrictions	<u>2,954,858</u>
Financial assets available to meet general expenditures in one year	<u><u>\$ 3,715,833</u></u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 3 – PLEDGES RECEIVABLE

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using rates of 3.50% as of December 31, 2020.

Pledges receivable consist of the following:

Pledges receivable	\$ 3,929,318
Less: Pledges unamortized discount	<u>(267,576)</u>
Net pledges receivable	<u><u>\$ 3,661,742</u></u>
Amounts due in:	
Less than one year	\$ 1,396,856
One to five years	<u>2,264,886</u>
Total pledges receivable	<u><u>\$ 3,661,742</u></u>

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31, 2020
Furniture, equipment & software	\$ 216,705
Vehicles	65,987
Building & land improvements	6,268,652
Land	<u>116,024</u>
Total cost	6,667,368
Less: Accumulated depreciation and amortization	<u>(176,987)</u>
Net carrying amount	<u><u>\$ 6,490,381</u></u>

Depreciation and amortization expense totaled \$103,748 for the year ended December 31, 2020.

NOTE 5 – IN-KIND CONTRIBUTIONS AND EXPENSES

The Organization received professional veterinarian and graphic design services as in-kind contributions. The Organization records in-kind contributions and expenses related to these contributions. The total value of the in-kind contributions received meeting the criteria for being recorded in the financial statements was \$99,784 which is recorded in the accompanying statements of activities.

The in-kind expenses, related to the in-kind contributions, are included in the statements of functional expenses. Total in-kind expenses are categorized as follows:

	December 31, 2020
Vet services	\$ 14,862
Professional fees	<u>84,922</u>
	<u><u>\$ 99,784</u></u>

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 6 – LONG-TERM DEBT

In August 2019, the Organization entered into a construction loan with the Bank, which allowed the Organization to borrow up to \$3,800,000 for the construction of a building facility through September 2020. The loan was interest free until the first draw was made in April 2020. After April 2020, the loan required interest-only payments at LIBOR plus 1.25%. In June 2020, the borrowings were converted to a five-year installment loan with monthly interest-only payments at LIBOR plus 1.25% and payments of all restricted gifts received during the year by the Organization. Total interest paid for the year ended 12/31/2020 was \$18,728. The outstanding balance of the loan at December 31, 2020 is \$2,928,925 consisting of a current portion of \$299,536 and a long-term portion of \$2,629,389. Any unpaid balance on the loan is payable on the maturity date of the loan, August 25, 20

NOTE 7 - NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets consist for the following purposes as of December 31, 2020:

Subject to expenditure for specified purpose:

Prior year balance	\$ 5,030,092
Contributions received for the comprehensive campaign	1,250
Contributions pledged to the comprehensive campaign	282,398
Contributions received for program activities	20,000
Release from restrictions	<u>(2,378,882)</u>
Total net assets with donor restrictions	<u>\$ 2,954,858</u>

Donor's restricted pledges are to be used to pay off the building loan.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – FAIR VALUE MEASUREMENTS

ASC topic *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC topic *Fair Value Measurements* are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the abilities to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 8 – FAIR VALUE MEASUREMENTS (Continued)

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

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Plan are deemed to be actively traded.

Equity securities: Valued at the closing price reported in the active market in which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value or certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value:

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Equities	\$ 14,729	\$ -	\$ -	\$ 14,729
Mutual funds	4,037,848	-	-	4,037,848
Total	<u>\$ 4,052,577</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,052,577</u>

NOTE 9 – OPERATING LEASE COMMITMENTS

The Organization leases office space under a lease agreement that expired on April 30, 2020. The lease agreement was verbally extended until the end of September 2020 when construction of the new building was completed. The lease agreement required payments of \$5,000 per month. Total lease expenses for year ending December 31, 2020 was \$45,000.

MICHIGAN ANIMAL RESCUE LEAGUE
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE 10 – PAYCHECK PROTECTION PROGRAM (PPP)

The Organization was granted a \$147,900 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization initially recorded the loan as a refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the PPP loan no longer existed. The Organization has recognized \$147,900 as grant revenue for the year ended December 31, 2020. Subsequent to December 31, 2020, the Organization received notice that the entire amount of the loan was forgiven plus accrued interest.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Company's judgements pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to December 31, 2020 through September 30, 2021, the date the financial statements were available to be issued.

In January 2021, the Organization received notification that the PPP loan received in 2020 was forgiven for the full amount of the original loan of \$147,900 plus all accrued interest.