

FOSTER PARROTS, LTD.

Financial Statements and Independent Auditors' Report

Year ended December 31, 2021

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Independent Auditors' Report

The Board of Directors
Foster Parrots, Ltd.
35 Vernon Street
Rockland, MA 02370

We have audited the accompanying financial statements of Foster Parrots, Ltd., which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Foster Parrots, Ltd. as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Elizabeth A. Pineault, CPA, PC

Elizabeth A. Pineault, PC,
Certified Public Accountant
Marshfield, Massachusetts
May 20, 2022

FOSTER PARROTS LTD.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

Current assets	
Cash and cash equivalents	\$ 1,578,945
Contributions receivable	20,022
Pledge receivable	150,000
Operating investments	122,288
Total current assets	<u>1,871,255</u>
Fixed assets	
Property and equipment	1,075,467
Accumulated depreciation	(235,037)
Net fixed assets	<u>840,430</u>
Other assets	
Cash restricted for capital campaign	<u>1,022,845</u>
Total assets	<u><u>3,734,530</u></u>
Current liabilities	
Accounts payable	18,949
Accrued expenses	18,900
Total current liabilities	<u>37,849</u>
Net assets	
Without donor restrictions	
Undesignated	1,683,406
Invested in property and equipment, net of related debt	840,430
Total without donor restrictions	<u>2,523,836</u>
With donor restrictions	1,172,845
Total net assets	<u>3,696,681</u>
Total liabilities and net assets	<u>\$ 3,734,530</u>

See notes to the financial statements

FOSTER PARROTS, LTD.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Contributions-individuals and corporations	\$ 1,165,591	\$ 275,046	\$ 1,440,637
Contributions-grants	269,600	697,799	967,399
Donated professional services	29,500	-	29,500
Donated supplies	6,000	-	6,000
Investment return-net	20,264	-	20,264
Insurance settlement	934,455	-	934,455
Forgiveness-payroll protection loan	50,972	-	50,972
Net assets released from restrictions	9,150	(9,150)	-
Total revenue and other support	2,485,532	963,695	3,449,227
Expenses			
Programs	696,158	-	696,158
Administration and overhead	72,899	-	72,899
Fundraising and development	20,947	-	20,947
Total operating expenses	790,004	-	790,004
Other expenses-extraordinary event-(Note 14)	382,568	-	382,568
Change in net assets	1,312,960	963,695	2,276,655
Net assets at beginning of year	1,210,876	209,150	1,420,026
Net assets at end of year	\$ 2,523,836	\$ 1,172,845	\$ 3,696,681

See notes to the financial statements

FOSTER PARROTS, LTD.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021

	<u>Programs</u>	<u>Administration & Overhead</u>	<u>Fundraising & Development</u>	<u>Total</u>
Programs				
Depreciation	\$ 30,775	\$ -	\$ -	\$ 30,775
Humane education	7,397	-	-	7,397
Events	1,990	-	-	1,990
Equipment	7,349	-	-	7,349
Insurance	23,180	-	-	23,180
Landscape and gardens	1,571	-	-	1,571
Licenses and permits	662	-	-	662
Motor vehicle and transportation	4,991	-	-	4,991
Payroll servicing fees	4,442	-	-	4,442
Repair and maintenance	16,608	-	-	16,608
Project Guyana	2,691	-	-	2,691
Project MCCR-(note 10)	72,711	-	-	72,711
Seed and food	58,325	-	-	58,325
Supplies-animal care	12,807	-	-	12,807
Supplies-general	15,305	-	-	15,305
Supplies-donated	6,000	-	-	6,000
Taxes-real estate	4,523	-	-	4,523
Taxes-employer payroll taxes	30,091	-	-	30,091
Utilities	45,880	-	-	45,880
Veterinary fees	36,235	-	-	36,235
Veterinary fees-donated	21,500	-	-	21,500
Wages	291,125	-	-	291,125
Supporting services				
Dues and subscriptions	-	1,076	-	1,076
Events	-	-	14,586	14,586
Insurance	-	1,032	207	1,239
Insurance-directors and officers	-	1,279	-	1,279
Licenses and permits	-	3,398	-	3,398
Computers and technology	-	10,844	-	10,844
Office and general administrative	-	3,698	-	3,698
Payroll servicing fees	-	454	151	605
Postage and delivery	-	4,004	-	4,004
Professional services	-	17,362	-	17,362
Professional fees-donated	-	3,000	-	3,000
Printing and reproduction	-	1,276	-	1,276
Taxes-employer payroll taxes	-	1,964	491	2,455
Telephone	-	1,464	-	1,464
Wages	-	22,048	5,512	27,560
Total expenses	\$ <u>696,158</u>	\$ <u>72,899</u>	\$ <u>20,947</u>	\$ <u>790,004</u>

See notes to the financial statements

FOSTER PARROTS, LTD.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2021

Cash flow from operating activities	
Change in net assets	\$ 2,276,655
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	30,775
Changes in current assets and operating liabilities	
Contributions receivable	(20,022)
Pledges receivable	(150,000)
Other assets-deposits	7,250
Accounts payable and accrued expenses	<u>6,493</u>
 Net cash provided by operating activities	 2,151,151
 Cash flow from investing activities	
Purchase of equipment and construction	(103,628)
Disposal of fixed assets	<u>136,551</u>
Net cash from investing activities	32,923
 Cash flow from financing activities	
Loan forgiveness -PPP loan	<u>(50,972)</u>
 Change in cash	 2,133,102
Cash and cash equivalents - beginning of year	<u>590,976</u>
Cash and cash equivalents - end of year	<u>\$ 2,724,078</u>

See notes to the financial statements

FOSTER PARROTS, LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Note 1 - Operations

Foster Parrots, Ltd. (the Organization) is a non-profit 501(c)(3) organization dedicated to the rescue and protection of unwanted and abused parrots and other displaced, captive, exotic animals. They offer life-long sanctuary to parrots who are not suitable as pets, and provide adoption services for birds who desire human companionship. Their educational programs work to connect people to animal and environmental issues and inspire a sense of personal responsibility toward the care of animals and the earth. The organization also works in Central and South America to help protect wild parrots and natural habitat. In 2008, Foster Parrots, Ltd. established The New England Exotic Wildlife Sanctuary in Hope Valley, Rhode Island. This facility is the home base for all of the programs of the organization.

Note 2 - Summary of Significant Accounting Policies

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

Foster Parrots, Ltd. prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Pursuant to this method, revenues are recognized when earned and expenses are recorded when services are incurred or goods are received.

Net Asset Classification

Net assets of the Organization are classified into two categories based on the existence or absence of donor-imposed restrictions 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 organization. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes.

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, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization does not maintain any donor restricted net assets in perpetuity at December 31, 2021.

Contributions

Contributions, including unconditional promises to give, are recorded as revenue in the period the promise is received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Contributions received with donor imposed restrictions that either expire by passage of time or can be fulfilled by the activities of the Organization, are reported as revenues in the net assets with donor restriction class when they are received. Contributions received with donor imposed restrictions that are met in the same year in which the contributions are received are classified as contributions without donor restriction.

Foster Parrots, Ltd. reports any gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Unconditional contributions are recorded at their fair values when the promise to give is made. Conditional promises to give are recorded when they become unconditional; that is, when the conditions are substantially met.

FOSTER PARROTS, LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Donated (Volunteer) Services and In-Kind Contributions

The Organization benefited from the services of 45 volunteers each week who assisted in the care of the animals at the sanctuary. No amounts have been reflected in the financial statements for these donated services, because they do not meet recognition criteria prescribed by generally accepted accounting principles. Volunteers donate significant time to provide programming and supporting services for operations. The Organization pays for most services requiring specific expertise.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for uncollectible accounts and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable.

Property and Equipment

Fixed assets are stated at cost and depreciated using the double declining balance and/or the straight-line method over their estimated useful lives. Fixed assets over \$500 are capitalized. Depreciation expense for 2021 was \$30,775.

Estimates and Assumptions

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amount 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 expenditures during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Organization is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code. Management evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year financial statements. At December 31, 2021, management believes that it has no uncertain tax positions within any of its open tax years. (2018-2020)

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 functional expenses. Accordingly, in some cases, common expenses are incurred which support the work performed under more than one grant, contract or function. Such expenses are allocated on an equitable basis determined by management. These expenses are allocated based on actual or estimated time where efforts are made. Program expenditures charged in excess of the award amounts are paid for by either unrestricted contributions or the unrestricted net assets.

Investments

The Organization records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return (loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

FOSTER PARROTS, LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Note 3- Investments

The Organization reports certain assets and liabilities at fair value in the financial statements. These values were determined by the closing price for those securities traded on national stock exchanges and are Level 1 investments (securities traded in an active market). The nature and carrying amount of each significant investment group were as follows:

Insured Deposit Account	\$ 20,520
Equities	<u>122,288</u>
Total Insured Deposits and Equities	<u>\$ 142,808</u>

The following table summarizes the unrestricted investment return and its classification in the Statement of Activities for the year ended December 31, 2021.

Interest income and dividend income	\$ 3,566
Unrealized gain on investments	<u>16,698</u>
Total investment income net of expenses	<u>\$ 20,264</u>

Note 4 - Property and Equipment

Property and equipment consists of the following at December 31, 2021.

Land	\$ 24,000
Building	484,916
Cabins	205,684
Equipment	54,484
Leasehold improvements	<u>306,383</u>
	1,075,467
Less accumulated depreciation	<u>(235,037)</u>
	<u>\$ 840,430</u>

Note 5 – Credit Risk

Foster Parrots Ltd.'s cash accounts are held at financial institutions located in Massachusetts and Rhode Island and are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. As of December 31, 2021, cash held by Foster Parrots, Ltd. did not exceed the FDIC insurance coverage limits. Foster Parrots Ltd. has not experienced any losses in the accounts and believes it is not exposed to any significant credit risk on cash balances within those accounts.

Note 6 - Net Assets with Donor Restrictions

At December 31, 2021, net assets with donor restrictions were restricted for the following purposes:

<u>Description</u>	<u>2021</u>
Construction of Sanctuary	\$ 1,172,845

FOSTER PARROTS, LTD.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2021

Note 7 - NEEWS

Expenses for the New England Exotic Wildlife Sanctuary (NEEWS) amounted to \$620,756.

Note 8 - Compensated Absences

Employees of the Organization are entitled to ten paid flexible days off, to be taken in the current fiscal year. As of December 31, 2021, there is no liability for accrued absences.

Note 9 - Related Party/Donated Professional Services

Estimated donated professional services from one Board Member amounted to \$1,500 for veterinary services. Other estimated donated veterinary services amounted to an additional \$20,000. Other donations by professionals amounted to \$5,000 for architectural services, and \$3,000 for graphic design services.

Note 10 -Fiscal Agent

The organization is a fiscal agent for “MCCR”, a macaw conservation organization based in Costa Rica whose mission is the rescue and protection of native parrot species, and to aid in repopulating threatened and endangered macaw species through a captive breed and release program. Total contributions of \$72,711 were collected of which \$68,717 were from donors on behalf of MCCR and \$3,994 was contributed by Foster Parrots, Ltd. Total disbursements of \$72,711 to MCCR were used for general support of the project including direct bird care costs, supplies and equipment, and infrastructure development. Infrastructure development includes a wildlife rehabilitation center, medical clinic and nursery, workers/intern quarters, welcome/education center and a series of flight, breeding and holding aviaries.

Note 11 - Liquidity and Availability

The following reflects the Organization’s financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the Statements of Financial Position date because of donor restrictions and internal board designations.

<u>Description</u>	<u>2021</u>
Cash and cash equivalents	\$ 2,601,790
Receivables	170,022
Operating investments	<u>122,288</u>
Total financial assets	2,894,100
Less donor restricted funds	(1,172,845)
Less net assets with purpose restrictions to be met in less than one year	<u>(37,849)</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 1,683,406</u>

Note 12 – Payroll Protection Program

The Organization, deemed an essential service, remained open for the care and custody of the avian and other animal populations in their care during the Covid-19 crisis. During the calendar year 2020, the Organization, obtained a PPP loan from a financial institution in the amount of \$50,972. Under the terms of the PPP loan, the Organization must utilize the proceeds to fund qualifying expenses over a twenty-four-week period. Upon utilization of the loan proceeds, the

FOSTER PARROTS, LTD.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Organization applied for and received loan forgiveness. The PPP loan was treated under FASB ASC 958-605, Not-for-Profit Entities – Revenue Recognition, as a conditional contribution. As such, \$50,972 was recognized as a contribution in calendar year 2021.

Note 13– Uncertainties and Contingencies

As a result of the worldwide spread of the Covid-19 coronavirus, economic uncertainties have arisen which could negatively impact the Organization’s future financial condition, however, such potential is unknown at this time and cannot be reasonably estimated. The Organization continues to evaluate changing conditions. No known contingencies exist which, in the opinion of management, will have a material adverse effect upon the Organization’s financial position or operating results.

Note 14 - Evaluation of Subsequent Events-Extraordinary Event

Management has evaluated subsequent events through the date of this report.

On April 1, 2021, the Organization suffered a devastating fire at the sanctuary facility that destroyed a 5,600 sq ft portion of the sanctuary which was a third of the building size. The lives of many of the beloved animals were lost. Due to extensive water damage, the age of the facility and the fact that construction materials used in the remaining building were of the same materials, the decision was made to completely rebuild the sanctuary. Operating costs to return the facility to a temporary serviceable condition amounted to \$246,017. The net book value loss of building costs, leasehold improvements, and equipment amounted to \$136,551. The Organization received a net insurance settlement of \$934,455. The Organization has embarked on a capital campaign to rebuild the sanctuary. Fundraising for reconstruction is ongoing.