

TURNING POINTE DONKEY RESCUE, INC.

FINANCIAL STATEMENTS

December 31, 2021

Independent Auditors' Report

To the Board of Directors of
Turning Pointe Donkey Rescue, Inc.

Opinion

We have audited the accompanying financial statements of Turning Pointe Donkey Rescue, Inc. (a Nonprofit Organization), which comprise the Statement 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.

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

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 Turning Pointe Donkey Rescue, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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. 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 Turning Pointe Donkey Rescue, Inc.'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 Turning Pointe Donkey Rescue, Inc.'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.

A handwritten signature in black ink that reads "Shindel Rock". The signature is written in a cursive, flowing style.

November 7, 2022

TURNING POINTE DONKEY RESCUE, INC.

STATEMENT OF FINANCIAL POSITION
Year Ended December 31, 2021

	<u>2021</u>
ASSETS	
Current Assets	
Cash	\$ 336,497
Loan Receivable Related Party	3,271
Accrued Interest Related Party	84
Investments at Fair Value	102,895
Inventory	74,094
Prepaid Expenses	<u>51,770</u>
Total Current Assets	568,611
Property and Equipment	
Building	275,200
Land	68,800
Equipment	68,823
Vehicle	<u>20,123</u>
Total	432,946
Less Accumulated Depreciation	<u>(121,850)</u>
Net Property and Equipment	<u>311,096</u>
TOTAL ASSETS	<u><u>\$ 879,707</u></u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ 68,954
Accrued Liabilities	3,124
Accrued Payroll Taxes	<u>1,367</u>
Total Current Liabilities	<u>73,445</u>
TOTAL LIABILITIES	73,445
Net Assets	
Net Assets Without Donor Restrictions	<u>806,262</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 879,707</u></u>

The Accompanying Notes and Independent Auditors' Report
Should be Read with these Financial Statements

TURNING POINTE DONKEY RESCUE, INC.

STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

	<u>2021</u>
CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS:	
Revenue, Gains and Other Support	
Contributions	\$ 1,915,682
In Kind Goods and Services	44,661
Merchandise Sales, net	535
Investment Income, net	3,932
Interest Income Related Party	84
Interest Expense, net	(204)
Paycheck Protection Program Loan Forgiveness	<u>11,523</u>
Total Revenues, Gains and Other Support Without Donor Restrictions	1,976,213
Expenses	
Program Services:	
Education and Training	195,214
Rescue and Rehabilitation	519,351
Supporting Services:	
Fund Raising	847,384
General Management	<u>80,162</u>
Total Expenses	<u>1,642,111</u>
Increase in Net Assets Without Donor Restrictions	334,102
NET ASSETS - Beginning of Year	<u>472,160</u>
NET ASSETS - End of Year	<u><u>\$ 806,262</u></u>

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TURNING POINTE DONKEY RESCUE, INC.

STATEMENT OF FUNTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services		Supporting Services		Total
	Education and Training	Rescue and Rehabilitation	Fundraising	General Management	
Accounting Fees	\$ -	\$ -	\$ -	\$ 18,724	\$ 18,724
Casual Labor	-	1,422	-	-	1,422
Depreciation	-	22,694	-	424	23,118
Donkey Purchases	-	46,591	-	-	46,591
Equipment Rental	-	117	-	-	117
Feed and Nutritional Supplements	-	88,714	-	-	88,714
Insurance - Non-employee	-	1,399	-	-	1,399
Internet and Web Hosting	-	630	-	1,639	2,269
Legal and State Registration Fees	7,523	712	-	16,115	24,350
List Rental and Maintenance	9,583	-	50,180	1,271	61,034
Meals and Entertainment	-	2,568	-	-	2,568
Merchant Credit Card and Bank Fees	-	-	-	11,117	11,117
Occupancy Expenses	-	9,711	-	2,521	12,232
Officer Compensation	4,683	58,753	-	1,873	65,309
Other Expenses	3,100	6,393	15,483	3,105	28,081
Payroll Taxes	358	3,081	-	143	3,582
Postage, Shipping and Delivery	92,630	-	411,550	12,471	516,651
Printing and Copying	52,659	-	246,294	6,985	305,938
Professional Fees - Other	24,678	-	123,877	3,273	151,828
Repairs and Maintenance	-	21,185	-	501	21,686
Supplies	-	11,190	-	-	11,190
Travel	-	477	-	-	477
Transportation	-	13,180	-	-	13,180
Veterinary, Farrier, and Healthcare	-	230,534	-	-	230,534
Total Expense	<u>\$ 195,214</u>	<u>\$ 519,351</u>	<u>\$ 847,384</u>	<u>\$ 80,162</u>	<u>\$1,642,111</u>

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TURNING POINTE DONKEY RESCUE, INC.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

	<u>2021</u>
Cash Flows from Operating Activities	
Increase in Net Assets	\$ 334,102
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	23,118
Donated Investments at Fair Value	(101,279)
Paycheck Protection Program Loan Forgiveness	(11,523)
Change in Operating Assets	
Increase in Receivable Related Party	(3,355)
Increase in Prepaid Assets	(47,520)
Increase in Inventory	(65,436)
Change in Operating Liabilities	
Increase in Accounts Payable	10,315
Increase in Accrued Liabilities	908
Increase in Accrued Payroll Taxes	166
Net Cash Provided by Operating Activities	<u>139,496</u>
Cash Flows from Investing Activities	
Payments for Property and Equipment	(23,232)
Purchases of Investments	(1,494)
Net Cash Used in Investing Activities	<u>(24,726)</u>
Net Increase in Cash	<u>114,770</u>
Cash, Beginning of Year	<u>221,727</u>
Cash, End of Year	<u><u>\$ 336,497</u></u>
Supplementary Disclosure	
Cash Paid for Interest	<u>\$ 47</u>
Noncash Investing and Financing Transaction: Paycheck Protection Program Loan Forgiveness	<u><u>\$ 11,523</u></u>

The Accompanying Notes and Independent Auditors' Report
Should be Read with these Financial Statements

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities – Turning Pointe Donkey Rescue, Inc. (the “Organization”) is a Michigan not for profit organization operating in metropolitan Detroit. The Organization operates full service donkey and mule rescue, rehabilitation, and education. The Organization is supported primarily through donor contributions and adoption fees. The Organization uses the services of an independent fund raising services company to solicit funds through a direct mail campaign and to pay certain expenses.

Basis of Accounting - The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates.

Cash - For purposes of the statement of cash flows, cash is comprised of the Organization’s cash in financial institutions. At various times throughout the year the Organization maintains a cash balance in excess of amounts insured by the Federal Depository Insurance Corporation. Management believes the risk associated with this concentration is minimal. At December 31, 2021 the Organization had no uninsured balances.

Investments - The Organization accounts for investments in accordance with U.S. GAAP for investments held by not-for-profit organizations. This guidance requires investments in debt securities and equity securities with readily determinable fair values be recorded at fair value. Marketable securities are stated at fair value based on quoted prices. Realized and unrealized gains and losses are included in the statement of activities net of investment advisor fees.

Net Assets - The Organization did not have any net assets with donor restrictions as of December 31, 2021.

Property and Equipment - Purchased equipment is carried at cost. Donated buildings, land and equipment are carried at their estimated fair value at the date of donation. The Organization has no property and equipment acquired with explicit restrictions.

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 2021

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES –
CONTINUED

Depreciation - Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows:

Agricultural Buildings	20 years
Building	27.5 years
Equipment	5-10 years
Vehicle	5 years

Depreciation expense totaled \$23,037 for the year ended December 31, 2021.

Impairment of Long-Lived Assets - The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Contributions - Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence and/or nature of any donor restrictions .

Contributed Services - No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization however these services do not meet the criteria for recognition as contributed services.

Cost Allocation - The financial statements report certain categories of expenses that are attributable to more than one program or supporting function in the statement of functional expenses. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include professional fees, which are allocated on the basis of estimates of time and effort, as well as depreciation and occupancy, which are allocated on a square footage basis. List rental, legal, postage, and printing and copying are allocated based on invoices for costs incurred for fundraising, general management or program services.

Income Taxes - The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service (“IRS”) as a corporation. Management of the Organization believes that they have appropriate support for any tax positions taken, and as such, do not have any uncertain tax positions that are material to the financial statements.

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 2 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization has a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$80,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in a savings account.

The Organization has financial assets available within one year of the balance sheet date to meet cash needs for program and general expenditures consisting of cash of \$336,497 and investments of \$102,895. Included in cash is \$177,376 held by the independent fundraising services company to pay direct mail campaign and certain other fundraising expenses and can be used to pay general operating expenses. The remaining financial assets are not subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the balance sheet date.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Organization values its financial assets accordance with the 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 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 institute has the ability 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 assets or liabilities; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (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.

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS – CONTINUED

Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Valuation methodologies used for investments measured at fair value are as follows:

Mutual funds are valued at quoted market prices at year end.

Exchange traded funds, which are funds that trade similar to publicly-traded securities. Similar to shares of an index mutual fund, each share of these funds represents a partial ownership in an underlying portfolio of securities intended to track a market index.

Common stocks are valued at quoted market prices at year end.

U.S. Treasury bonds are reported at fair value on a recurring basis determined by reference to yield curves and quoted market prices for similar assets.

Publicly Traded Limited Partnership is reported at fair value on a recurring basis determined by reference to quoted market prices for similar investments and other relevant information generated by market transactions.

The preceding methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of 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 investments at fair value as of December 31, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Mutual Funds	\$ 68,491	\$ -	\$ 68,491
Exchange Traded & Closed End Funds	10,169	-	10,169
Common Stocks	21,393	-	21,393
US Treasury Bond	-	938	938
Publicly Traded Limited Partnership	-	1,904	1,904
	<u>\$ 100,053</u>	<u>\$ 2,842</u>	<u>\$ 102,895</u>

The Organization had no Level 3 investments at December 31, 2021.

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 4 – PAYCHECK PROTECTION PROGRAM

The Organization received Paycheck Protection Program (PPP) loan proceeds in the amount of \$11,400 in April 2020. The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), provides for loans to qualifying not for profits for an amount up to 2.5 times their average monthly payroll expenses. The loans and accrued interest are forgivable by the Small Business Administration (SBA) after an 8- to 24-week covered period as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent, utilities, and other covered operational expenses, and maintains its payroll levels. The Association used the proceeds from the loan for qualifying expenses and received forgiveness during December, 2021.

The Organization accounted for this loan as a liability in accordance with FASB Accounting Standards Codification (ASC) Section 470, Debt until the loan was forgiven. At such time that the loan was forgiven the Organization reduced the liability by the amount forgiven plus accrued interest and recorded a gain on extinguishment of \$11,523.

NOTE 5 – ALLOCATION OF JOINT COSTS

In 2021, the Organization conducted direct mail campaigns that included requests for contributions as well as program and management and general components. The costs of conducting those activities included a total of \$902,434 of joint costs, which are not specifically attributable to particular components of the activities (joint costs). Joint costs for each kind of activity were \$723,507, \$157,972, and \$20,955, respectively. These joint costs were allocated as follows.

Fundraising	\$ 723,507
Education and Training	157,972
General Management	20,955
Total	<u>\$ 902,434</u>

NOTE 6 – CONTINGENCY

The Organization is subject to certain claims arising in the ordinary course of business. In the opinion of management, the disposition of these claims will not have a material adverse effect on the financial position, results of operations or cash flows of the Organization.

TURNING POINTE DONKEY RESCUE, INC.

NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 2021

NOTE 7 – RELATED PARTY TRANSACTIONS

During 2020 the Board approved payment of compensation to the President and Treasurer. During the year ended December 31, 2021, the Organization paid the President and Treasurer compensation in the amount of \$46,829. This amount is included in officer wages in the accompanying Statement of Functional Expenses.

During 2021 the Board approved a loan to the President and Treasurer in the amount of \$3,271. The loan bears interest a rate of 4.01% per annum and has no scheduled payments and may be repaid at any time, however the balance is due in full on December 31, 2023. Loan receivable related party and accrued interest receivable related party totaled \$3,271 and \$84, respectively at December 31, 2021.

During 2021 the Board approved the purchase of equipment from the President and Treasurer in the amount of \$9,000, which is included in property and equipment in the accompanying Statement of Position.

During 2021 the Organization used the services of one of the Board members, as an independent contractor, for which the Organization paid approximately \$18,480.

There were no board fees paid to board members.

NOTE 8 – RISKS AND UNCERTAINTY IN THE MARKET

Due to uncertainties in the global and national marketplace due to COVID-19 coronavirus (“COVID-19”), and the impact these uncertainties could have on the economy, there exists a risk of a negative impact to the Organization’s financial results in the future. The Organization is actively monitoring and managing risk and there has been no adjustment to these financial statements as a result of this situation.

NOTE 9 – EVALUATION OF SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 7, 2022, the date which the financial statements were available to be issued.