

WILDLIFE RESCUE & REHABILITATION, INC.

Audited Financial Statements

December 31, 2022

ADKF, P.C.
Certified Public Accountants

WILDLIFE RESCUE & REHABILITATION, INC.
Table of Contents
December 31, 2022

	<u>Page</u>
Audited Financial Statements	
Independent Auditor's Report	1
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Audited Financial Statements	9



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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Wildlife Rescue & Rehabilitation, Inc.
Kendalia, Texas

Opinion

We have audited the accompanying financial statements of Wildlife Rescue & Rehabilitation, Inc. (Organization) which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years 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 Wildlife Rescue & Rehabilitation, Inc. as of December 31, 2022 and 2021, and the results of its activities, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits.

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. 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.

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Auditor's Responsibilities for the Audit of the Financial Statements – continued

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

ADKF, PC

ADKF, P.C.
San Antonio, Texas
June 21, 2023

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Financial Position
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 519,814	\$ 583,551
Investments, board designated endowment	8,446,982	6,328,715
Prepaid expenses	37,242	20,283
Sanctuary animals	1	1
Fixed assets, net	5,701,009	5,876,292
Operating lease right-of-use assets	<u>110,657</u>	<u>-</u>
Total Assets	<u><u>\$ 14,815,705</u></u>	<u><u>\$ 12,808,842</u></u>
 LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 102,072	\$ 233,691
Accrued expenses	73,221	80,055
Related-party debt, current	10,797	10,271
Operating lease liabilities, current portion	<u>57,205</u>	<u>-</u>
Total current liabilities	243,295	324,017
Long-term Liabilities:		
Related-party debt, non-current	62,857	73,654
Operating lease liabilities, non-current	<u>53,452</u>	<u>-</u>
Total long-term liabilities	<u>116,309</u>	<u>73,654</u>
Total Liabilities	359,604	397,671
Net Assets:		
Without donor restrictions:		
Available for operations	5,786,021	5,883,599
Board designated	8,446,982	6,328,715
With donor restrictions	<u>223,098</u>	<u>198,857</u>
Total net assets	<u>14,456,101</u>	<u>12,411,171</u>
Total Liabilities and Net Assets	<u><u>\$ 14,815,705</u></u>	<u><u>\$ 12,808,842</u></u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statement of Activities
Year Ended December 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support and Revenues			
Support:			
Individual contributions	\$ 1,502,389	\$ 343,400	\$ 1,845,789
Corporate contributions	36,787	-	36,787
Legacies and bequests	4,552,555	-	4,552,555
Grants	523,400	-	523,400
Donations, in-kind	135,740	-	135,740
Special events, net of expenses	33,894	-	33,894
Other Income (loss):			
Investment (loss), net	(983,055)	-	(983,055)
Gain on sale of fixed assets	37,382	-	37,382
Rental income	21,854	-	21,854
Total support and revenues	<u>5,860,946</u>	<u>343,400</u>	<u>6,204,346</u>
Expenses			
Program	3,465,884	-	3,465,884
General and administrative	436,896	-	436,896
Fundraising	256,636	-	256,636
Total expenses	<u>4,159,416</u>	<u>-</u>	<u>4,159,416</u>
Change in Net Assets	1,701,530	343,400	2,044,930
Released from restriction	319,159	(319,159)	-
Net assets at beginning of year	<u>12,212,314</u>	<u>198,857</u>	<u>12,411,171</u>
Net Assets at End of Year	<u><u>\$ 14,233,003</u></u>	<u><u>\$ 223,098</u></u>	<u><u>\$ 14,456,101</u></u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.**Statement of Activities****Year Ended December 31, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Totals</u>
Support and Revenues			
Support:			
Individual contributions	\$ 1,589,246	\$ 341,246	\$ 1,930,492
Corporate contributions	6,936	-	6,936
Legacies and bequests	1,674,848	-	1,674,848
Grants	392,282	-	392,282
Federal grant, PPP forgiveness	340,047	-	340,047
Donations, in-kind	125,165	-	125,165
Special events, net of expenses	33,603	-	33,603
Other Income:			
Investment earnings, net	557,317	-	557,317
Rental income	21,409	-	21,409
Total support and revenues	<u>4,740,853</u>	<u>341,246</u>	<u>5,082,099</u>
Expenses			
Program	2,791,788	-	2,791,788
General and administrative	340,415	-	340,415
Fundraising	219,215	-	219,215
Total expenses	<u>3,351,418</u>	<u>-</u>	<u>3,351,418</u>
Change in Net Assets	1,389,435	341,246	1,730,681
Released from restriction	191,238	(191,238)	-
Net assets at beginning of year	<u>10,631,641</u>	<u>48,849</u>	<u>10,680,490</u>
Net Assets at End of Year	<u>\$ 12,212,314</u>	<u>\$ 198,857</u>	<u>\$ 12,411,171</u>

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,780,399	\$ 267,060	\$ 178,040	\$ 2,225,499
Accounting and professional fees	37,932	47,414	9,483	94,829
Advertising and marketing	11,784	-	61,868	73,652
Animal food	278,328	-	-	278,328
Animal medical care	75,530	-	-	75,530
Animal supplies and equipment	103,176	-	-	103,176
Apprentice program	45,087	-	-	45,087
Books, subscriptions and references	199	4	-	203
Computer software and hardware	24,081	-	-	24,081
Equipment rental and maintenance	5,349	944	-	6,293
Facility expenses	254,402	32,887	-	287,289
Facility maintenance and repair	90,016	22,504	-	112,520
Interest expense	-	3,963	-	3,963
IT fees	28,931	11,862	537	41,330
Office supplies	7,166	1,074	717	8,957
Postage and shipping	4,527	679	453	5,659
Printing and copying	3,704	-	985	4,689
Travel and meetings	4,531	1,877	65	6,473
Vehicles	71,067	2,961	-	74,028
Web hosting and maintenance	2,638	-	27	2,665
In-kind expense	134,519	-	1,221	135,740
Depreciation	419,383	22,073	-	441,456
Other expenses	83,135	21,594	3,240	107,969
Total Expenses	\$ 3,465,884	\$ 436,896	\$ 256,636	\$ 4,159,416
Special event costs not included above:				
Food and beverage			\$ 12,277	
Other direct costs			19,265	
			<u>\$ 31,542</u>	

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statement of Functional Expenses
Year Ended December 31, 2021

	Program Services	General and Administrative	Fundraising	Total
Salaries and benefits	\$ 1,450,993	\$ 217,649	\$ 145,099	\$ 1,813,741
Accounting and professional fees	14,445	18,057	3,611	36,113
Advertising and marketing	12,407	-	65,136	77,543
Animal food	234,500	-	-	234,500
Animal medical care	77,391	-	-	77,391
Animal supplies and equipment	97,490	-	-	97,490
Apprentice program	35,721	-	-	35,721
Books, subscriptions and references	961	20	-	981
Computer software and hardware	20,904	-	-	20,904
Equipment rental and maintenance	16,749	2,956	-	19,705
Facility expenses	105,730	26,432	-	132,162
Facility maintenance and repair	74,894	18,724	-	93,618
Interest expense	-	4,463	-	4,463
IT fees	27,093	11,108	502	38,703
Office supplies	5,981	897	598	7,476
Postage and shipping	5,478	822	548	6,848
Printing and copying	4,509	-	1,199	5,708
Travel and meetings	4,785	1,982	68	6,835
Vehicles	56,931	2,372	-	59,303
Web hosting and maintenance	1,740	-	18	1,758
In-kind expense	125,265	-	-	125,265
Depreciation	355,329	18,701	-	374,030
Other expenses	62,492	16,232	2,436	81,160
Total Expenses	<u>\$ 2,791,788</u>	<u>\$ 340,415</u>	<u>\$ 219,215</u>	<u>\$ 3,351,418</u>
Special event costs not included above:				
Food and beverage			\$ 684	
Other direct costs			<u>9,559</u>	
			<u>\$ 10,243</u>	

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ 2,044,930	\$ 1,730,681
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	441,456	374,030
Unrealized loss (gain) on investments	1,195,769	(151,674)
Realized (gain) on investments	(279)	(193,917)
Gain on sale of fixed assets	(37,382)	-
PPP loan forgiveness	-	(340,047)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(16,959)	(1,740)
Operating lease right of use assets	(110,657)	-
Accounts payable and accrued expenses	(138,453)	199,767
Operating lease liabilities	110,657	-
Net cash provided by operating activities	<u>3,489,082</u>	<u>1,617,100</u>
Investing Activities		
Net investment activity	(4,460,367)	(1,082,432)
Proceeds from sale of investments	1,146,610	58,155
Purchases of fixed assets	(1,035,058)	(815,022)
Proceeds from sale of fixed assets	806,267	-
Net cash (used) by investing activities	<u>(3,542,548)</u>	<u>(1,839,299)</u>
Financing Activities		
PPP loan proceeds	-	340,047
Payments on long-term debt, related party	(10,271)	(10,202)
Net cash (used) provided by financing activities	<u>(10,271)</u>	<u>329,845</u>
Net change in cash and cash equivalents	(63,737)	107,646
Cash and cash equivalents at beginning of year	<u>583,551</u>	<u>475,905</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 519,814</u></u>	<u><u>\$ 583,551</u></u>
Supplemental Disclosures		
Interest paid in cash	\$ 3,963	\$ 4,463
Non-cash donations, in-kind	135,740	125,265
Income taxes paid in cash	-	-

See notes to audited financial statements.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Wildlife Rescue & Rehabilitation, Inc. (WRR or the Organization) is a not-for-profit organization founded in 1977 and is dedicated to the rescue, rehabilitation, and release of orphaned, injured, and displaced wildlife. WRR provides permanent care for non-indigenous wild animals who have been victimized by the exotic pet trade, rescued from roadside zoos, or retired from research facilities. Indigenous wild animals that are deemed non-releasable due to serious injury are also given permanent care at the sanctuary. WRR serves the areas surrounding Austin and San Antonio, Texas, and provides assistance on a national basis to wild animals in need of rescue from its 250-acre site in Kendalia, Texas.

WRR opened its Sherman Animal Care Complex in San Antonio in early January 2010. This location, which was funded by the Sherman Foundation, serves as a drop-off point for injured and orphaned wildlife, a temporary rehabilitation center for certain species of orphaned mammals and birds, a small rescue and adoption site for cats, and an education center. The immediate care available at this facility is critical in saving more animals' lives and also relieves pressure on the sanctuary clinic in Kendalia during the busiest time of year.

Basis of Presentation: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U. S. generally accepted accounting principles. Net assets, support and revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions: Net assets that are available for use in general operations and not subject to donor-imposed restrictions. Contributions gifted for recurring programs are generally not considered "restricted" under GAAP, though for internal reporting, the Organization tracks such contributions to verify that the disbursement matches the intent. Assets restricted solely through the actions of the Board are reported as net assets without donor restrictions – board designated.

With Donor Restrictions: Net assets subject to donor-imposed stipulations that are more restrictive than WRR's mission and purpose. Some donor-imposed restrictions are temporary in nature, such as pledges that will be met with the passage of time or other events as stipulated by the donor. Donor imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenue Recognition: The Organization recognizes contributions and grants either when a valid promise to give (generally in writing) is received or as collected in the case of most smaller denomination gifts. Contributions and grants are reported as without or with donor restriction, depending on the existence and/or nature of any restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restriction if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restriction depending on the nature of the restriction. When a restriction expires, the net assets are reclassified to net assets without donor restriction. Non-cash contributions are recorded at their fair market value at the date of the contribution.

The Organization did not have any material contract assets or contract liabilities on the statements of financial position as of December 31, 2022 and 2021.

Cash and Cash Equivalents: Cash and cash equivalents consist of unrestricted cash deposits which are held by financial institutions and any equivalent securities with maturity of three months or less.

Investments: Investments are reported at fair market value determined by quoted market prices. Gains and losses (realized and unrealized) are reported net of investment expense as investment earnings in the statement of activities. Donated investment instruments are recorded at estimated fair value at the date of donation.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sanctuary Animals: Substantially all animals have been donated or otherwise given to the Organization. In accordance with industry practice, the sanctuary animals are recorded at the nominal amount of \$1, as there is no objective basis for establishing value.

Fixed Assets: Fixed assets are stated at cost, net of accumulated depreciation. Donated assets are recorded at fair value at the date of the gift. Depreciation is provided over the estimated useful lives, generally ranging from 3 to 30 years, using the straight-line method.

Income Taxes: The Organization is a tax-exempt under Internal Revenue Service Code Section 501(c)(3) therefore, no provision for income taxes has been provided in these financial statements. In addition, WRR is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code; accordingly, donors of money and/or property are entitled to the maximum charitable contribution deduction allowed by law. WRR is not subject to the Texas margin tax. Management is not aware of any tax positions that would have a significant impact on its financial position. Its tax returns for the last four years remain subject to examination.

Employee Benefit Plan: The Organization has a 403(b) defined contribution plan which is available to substantially all full-time employees. Employees may contribute a percentage of their annual compensation up to the limit allowed by the IRS. WRR did not contribute to the Plan in 2022 or 2021.

Functional Allocation of Expenses: The costs of providing program services and other activities have been summarized on a functional basis in the statement of activities. These expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits which are allocated on the basis of time and effort, as well as depreciation, office and occupancy, which are allocated on square footage or another reasonable basis.

Special Events: Costs associated with special events are netted against the related revenue.

Concentrations of Credit Risk: Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash and cash equivalents and investments. WRR maintains cash deposits and investments with financial institutions and major brokerage companies and limits the amount of credit exposure, although it may from time to time have cash balances or investments in excess of that insured by the FDIC and SIPC. Management believes its risk of loss is minimized due to the diversity of the underlying investments.

Subsequent Events: Subsequent events have been evaluated by management through the date of the independent auditor's report. Material subsequent events, if any, are disclosed in a separate footnote to these financial statements.

Use of Estimates: The preparation of financial statements in conformity with U. S. generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

Recently Adopted Accounting Pronouncements: In February 2016, the FASB issued a new accounting pronouncement regarding lease accounting for reporting periods beginning after December 15, 2021. A lessee is required to recognize on the balance sheet right-of-use assets, representing the right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing, and uncertainty of cash flows arising from leases.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Organization adopted the new standard effective January 1, 2022, the first day of the lease standard implementation date. Consistent with the optional transition method allowed as part of the modified retrospective transition approach provided in ASU No. 2018-11, the Organization did not adjust comparative periods. The new standard applied to leases that have commenced as of the effective date, January 1, 2022. The Organization also elected to apply the package of practical expedients allowed in ASC 842-10-65-1 whereby the Organization need not reassess whether any expired or existing contracts are, or contain, leases; the Organization need not reassess the lease classification for any expired or existing leases; and the Organization need not reassess initial costs for any existing Organization balance sheet for the right to use the underlying assets of operating leases direct. The Organization elected to use hindsight for transition when considering judgments and estimates such as assessments of lessee options to extend or terminate a lease or purchase the underlying asset. In addition, the corresponding liability for the remaining balance of the operating leases is included in the liability section of the balance sheet. For all asset classes, the Organization elected to not recognize a right-of-use asset and lease liability for leases with a term of twelve months or less. The adoption of this ASU did not require an adjustment to the Statement of Operations. At January 1, 2022, the Organization recognized right of use assets and a corresponding lease liability of \$171,353.

New Accounting Pronouncements: In September 2020, the FASB issued ASU No. 2020-07 Not-for-Profit (Topic 958): *Presentation and Disclosures by Not-for Profit entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets by enhancing the presentation and disclosures. The update includes the presentation of contributed non-financial assets as a separate line item in the statement of activities while disclosing disaggregated information about the types of contributed non-financial assets, how the contribution was used and various other disclosures. The effective date is for periods beginning after June 15, 2021, with early adoption permitted. Management adopted this standard effective January 1, 2022, and increased disclosures for non-financial contributions.

NOTE B – FIXED ASSETS

Fixed assets consist of the following at December 31:

	2022	2021
Land and improvements	\$ 1,570,850	\$ 1,622,958
Buildings	2,308,581	2,397,064
Cages, fencing and enclosures	4,507,697	4,475,412
Vehicles	292,174	366,337
Other equipment	635,055	673,666
Construction in progress	-	314,759
Total fixed assets	9,314,357	9,850,196
Less accumulated depreciation	(3,613,348)	(3,973,904)
Net fixed assets	\$ 5,701,009	\$ 5,876,292

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE C – BOARD DESIGNATED ENDOWMENT INVESTMENTS

The Organization’s investments are considered to be endowed through Board designations. WRR does not have any donor-restricted endowments. Accordingly, the State of Texas Prudent Management Institutional Funds Act (SPMIFA) is not currently applicable. Other policies, objectives and strategies include:

Return Objectives and Risk Parameters: The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to its programs while seeking to maintain the purchasing power of the endowment assets. Endowment assets are invested in a manner that is intended to produce results that equal or exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to generate a return which exceeds the rate of inflation. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that allows flexibility in investment options, based on market conditions, to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board of Directors has developed a flexible spending policy that allows it to be responsive to the needs of the Organization while trying to build the endowments’ corpus for future generations.

A rollforward of the endowment investments, all board designated, is as follows:

Endowment investments at January 1, 2021	\$ 4,958,847
Contributions	884,332
Withdrawals	(58,155)
Interest and dividends, net of fees	198,100
Realized loss on sales	193,917
Net unrealized gain	<u>151,674</u>
Endowment investments at December 31, 2021	6,328,715
Contributions	4,251,560
Withdrawals	(1,146,610)
Interest and dividends, net of fees	208,807
Realized gain on sales	279
Net unrealized loss	<u>(1,195,769)</u>
Endowment investments at December 31, 2022	<u><u>\$ 8,446,982</u></u>

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE D – LONG-TERM DEBT – RELATED PARTY

Long term debt consists of the following at December 31:

	<u>2022</u>	<u>2021</u>
Unsecured related party promissory note payable to Lynn Cuny, founder, due in monthly installments of \$1,186, including interest at 5.00%, matures on May 1, 2028. See Note E	<u>\$ 73,654</u>	<u>\$ 83,295</u>

Year Ending December, 31:

2023	\$ 10,797
2024	11,349
2025	11,930
2026	12,540
2027	13,182
Thereafter	<u>13,856</u>
	<u>\$ 73,654</u>

In accordance with a long-standing agreement with its founder and CEO, Lynn Cuny, the Organization purchased a residence located on the property from the founder in 2013. The Organization paid cash of \$100,000 and entered into a \$150,000 note with Ms. Cuny and Mr. Brestrup. The note is due in monthly installments of \$1,186 including interest at 5% and matures in 2028.

NOTE E – LINE OF CREDIT

WRR had a \$245,000 line of credit with Texas Heritage Bank that accrued interest at the prime rate and matured September 2021, with no renewal in place at December 31, 2021. On February 16, 2022, WRR renewed the line of credit for \$250,000 with a maturity date of February 8, 2023, which accrues interest at a rate of 0.50% over the prime rate. Accounts receivable serve as collateral. No amounts were outstanding under the line of credit at December 31, 2022 and 2021.

NOTE F – IN-KIND REVENUE AND EXPENSES

The Organization receives donated animal food and supplies which are used in its daily program operations. Food and supplies are valued based on the fair market value of similar or like items as if the Organization had purchased them on the open market.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE F – IN-KIND REVENUE AND EXPENSES (continued)

In-kind donations consist of the following during the years ended December 31:

	<u>2022</u>	<u>2021</u>
Animal food	\$ 101,168	\$ 78,617
Program supplies	<u>34,572</u>	<u>46,548</u>
Total	<u>\$ 135,740</u>	<u>\$ 125,165</u>

NOTE G – OPERATING LEASES

The Organization determines if an arrangement is an operating lease or financing lease at commencement of the lease. The Organization has determined that it has no finance lease arrangements at December 31, 2022 or 2021.

Lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the term of the lease. For office equipment, the Organization utilizes the risk-free discount rate, according to the Organization’s elected policy for this class of assets.

The Organization has an operating lease for a copier machine and computers with managed services. Operating lease expense is recognized in general and administrative expenses on a straight-line basis over the lease term. The lease term for the copier extends through November 2024. Lease expense associated with the non-cancellable lease agreements approximated \$58,896 in 2022.

In determining lease asset values, the Organization considers fixed and variable payment terms, prepayments, incentives, and options to extend, terminate or purchase. Renewal, termination, or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. There is currently not an option to renew the copier machine lease.

At December 31, 2022, the weighted-average remaining lease term was 1.92 years and the weighted-average discount rate was 2.0%. Future commitments relating to these lease agreements are as follows:

<u>Year Ending December, 31:</u>	
2023	\$ 58,896
2024	<u>53,988</u>
Total minimum future payments	112,884
Less: imputed interest	<u>(2,227)</u>
Present value of leases liability	<u>\$ 110,657</u>

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE H – ALLOCATION OF JOINT COSTS

Wildlife Rescue & Rehabilitation, Inc. conducted activities that included requests for contributions, as well as program components. Those activities included a quarterly newsletter. The cost of the newsletter totaled approximately \$29,023 in 2022 and \$29,695 in 2021; such costs are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2022</u>	<u>2021</u>
Newsletter:		
Fundraising	\$ 4,644	\$ 4,751
Program	<u>24,379</u>	<u>24,944</u>
	<u>\$ 29,023</u>	<u>\$ 29,695</u>

NOTE I – FAIR VALUE MEASUREMENTS

In accordance with U.S. generally accepted accounting principles, the Organization utilizes a fair value hierarchy that prioritizes the inputs for the 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are 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 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 asset or liability
 - inputs that are derived principally from or corroborated by observable market data by correlation or other means
- 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.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE I – FAIR VALUE MEASUREMENTS (continued)

The following table sets forth, by level within the fair value hierarchy, the Organization’s investments measured at fair value as follows:

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>December 31, 2022:</i>				
Cash and money markets	\$ 3,127,973	\$ -	\$ -	\$ 3,127,973
Equities	2,550,222	-	-	2,550,222
Mutual funds	173,800	-	-	173,800
Fixed income	-	2,378,952	-	2,378,952
Total investments at fair value	<u>\$ 5,851,995</u>	<u>\$ 2,378,952</u>	<u>\$ -</u>	\$ 8,230,947
Investments held by San Antonio Area Foundation and measured at NAV ^(a)				<u>216,035</u>
Total investments				<u>\$ 8,446,982</u>

	Fair Value Measurements Using			Total
	Level 1	Level 2	Level 3	
<i>December 31, 2021:</i>				
Cash and money markets	\$ 12,213	\$ -	\$ -	\$ 12,213
Equities	2,669,347	-	-	2,669,347
Mutual funds	50,333	-	-	50,333
Fixed income	-	3,332,684	-	3,332,684
Total investments at fair value	<u>\$ 2,731,893</u>	<u>\$ 3,332,684</u>	<u>\$ -</u>	\$ 6,064,577
Investments held by San Antonio Area Foundation and measured at NAV ^(a)				<u>264,138</u>
Total investments				<u>\$ 6,328,715</u>

^(a) Investments held at the San Antonio Area Foundation are measured at net asset value (NAV) per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy as they are not publicly traded. Such investments are measured at the fair value of the underlying investments. These investments have a daily redemption frequency and a twelve-month redemption period.

WILDLIFE RESCUE & REHABILITATION, INC.
Notes to Audited Financial Statements
December 31, 2022 and 2021

NOTE I – FAIR VALUE MEASUREMENTS (continued)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2022 and 2021.

Cash and money markets: Valued at stated principal, as adjusted for interest earnings.

Equities: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price (net asset value) as reported by the fund.

Fixed income: Valued using evaluations that may be matrix or model-based maximizing the use of observable inputs when available for similar securities.

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 the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE J – LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

On December 31, 2022, the Organization had approximately \$9,000,000 in financial assets available to meet cash needs for general expenditure. This consists of cash of approximately \$520,000 and investments of \$8,446,000. These financial assets are not subject to donor or other contractual restrictions that would make them unavailable for general expenditure if needed. The Organization's primary source of cash flow during the year was through contributions and bequests given by individuals. The Organizations goal is to maintain suitable reserves to fund normal operations for a six-month period.

NOTE K – PPP GRANT

On April 27, 2021, WRR received \$340,047 in a 2nd round of funding under the Paycheck Protection Program (PPP) as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), administered by the U.S. Small Business Administration (SBA). All proceeds were used for payroll costs and the grant was subsequently fully forgiven by the SBA on December 13, 2021; accordingly, the forgiveness is included under federal grant PPP forgiveness revenue in the 2021 statement of activities.

NOTE L – CURRENT ECONOMIC CONDITIONS

The impact of current economic events, including increasing inflation and interest rates, supply chain constraints, availability of capital and labor, and geopolitical events, remains uncertain. Any related financial impact cannot be reasonably estimated at this time.