

**FOSTER PARROTS, LTD.**

**Financial Statements and Independent Auditors' Report**

**Year ended December 31, 2019**

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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, 2019, 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, 2019, 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.

### **Emphasis of Matter – Adoption of Accounting Pronouncement**

As discussed in Note 2 to the financial statements, Foster Parrots Ltd. has adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Elizabeth A. Pineault, PC,  
Certified Public Accountant  
Marshfield, Massachusetts  
June 10, 2020

**FOSTER PARROTS LTD.**  
**STATEMENT OF FINANCIAL POSITION**  
December 31, 2019

<b>Current assets</b>	
Cash and cash equivalents	\$ 132,162
Operating investments	51,481
Total current assets	<u>183,643</u>
<b>Fixed assets</b>	
Property and equipment	1,225,700
Accumulated depreciation	<u>(296,615)</u>
Net fixed assets	929,085
<b>Other assets</b>	
Cash restricted for capital campaign	200,000
Total assets	<u><u>1,312,728</u></u>
<b>Current liabilities</b>	
Accounts payable	9,334
Accrued expenses	<u>5,190</u>
Total current liabilities	<u>14,524</u>
<b>Net assets</b>	
Without donor restrictions	
Undesignated	144,519
Invested in property and equipment, net of related debt	<u>929,085</u>
Total without donor restrictions	1,073,604
With donor restrictions	<u>224,600</u>
Total net assets	1,298,204
Total liabilities and net assets	<u><u>\$ 1,312,728</u></u>

See notes to the financial statements

**FOSTER PARROTS, LTD.**  
**STATEMENT OF ACTIVITES**  
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and other support</b>			
Contributions-individuals and corporations	\$ 261,155	\$ 97,037	\$ 358,192
Contributions- grants	204,500	115,000	319,500
Donated veterinary services	10,000	-	10,000
Investment return- net	10,309	-	10,309
Net assets released from restrictions	97,437	(97,437)	-
Less direct costs of fundraising event	(11,465)		(11,465)
<b>Total revenue and other support</b>	<b>571,936</b>	<b>114,600</b>	<b>686,536</b>
<b>Expenses</b>			
Programs	578,992	-	578,992
Administration and overhead	55,659	-	55,659
Fundraising and development	6,042	-	6,042
<b>Total expenses</b>	<b>640,693</b>	<b>-</b>	<b>640,693</b>
<b>Change in net assets</b>	<b>(68,757)</b>	<b>114,600</b>	<b>45,843</b>
Net assets at beginning of year	1,142,361	110,000	1,252,361
<b>Net assets at end of year</b>	<b>\$ 1,073,604</b>	<b>\$ 224,600</b>	<b>\$ 1,298,204</b>

See notes to the financial statements

**FOSTER PARROTS, LTD.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended December 31, 2019

	Programs	Administration & Overhead	Fundraising & Development	Total
<b>Programs</b>				
Depreciation	\$ 31,947	\$	\$	\$ 31,947
Humane education	12,619			12,619
Events	1,548			1,548
Insurance	22,431			22,431
Landscape and gardens	1,472			1,472
Licenses and permits	1,071			1,071
Motor vehicle and transportation	4,353			4,353
Payroll servicing fees	3,535	352	88	3,975
Repair and maintenance	3,191			3,191
Project Guyana	6,230			6,230
Project MCCR (see Note 10)	84,693			84,693
Seed and food	49,338			49,338
Supplies-animal care	3,825			3,825
Supplies-general	8,495			8,495
Taxes-real estate	11,654			11,654
Taxes-employer payroll taxes	19,829			19,829
Utilities	57,772			57,772
Veterinary fees	28,703			28,703
Wages	226,286			226,286
<b>Supporting services</b>				
Dues and subscriptions		812		812
Finance charges		213		213
Insurance- directors and officers		1,000		1,000
Licenses and permits		1,223		1,223
Computers		8,741		8,741
Office and general administrative		2,259		2,259
Postage and delivery		1,113		1,113
Professional fees		12,190		12,190
Printing and reproduction		2,530		2,530
Taxes-employer payroll taxes		1,686	442	2,128
Telephone		1,512		1,512
Wages		22,028	5,512	27,540
<b>Total expenses</b>	<b>\$ 578,992</b>	<b>\$ 55,659</b>	<b>\$ 6,042</b>	<b>\$ 640,693</b>

See notes to the financial statements

FOSTER PARROTS, LTD.  
STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2019

Cash flow from operating activities	
Change in net assets	\$ 45,843
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	31,947
Changes in current assets and operating liabilities	
Receivables	10,426
Accounts payable and accrued expenses	<u>1,029</u>
Net cash provided by operating activities	<u>89,245</u>
Cash flow from investing activities	
Purchase of equipment	(4,023)
Construction of leasehold improvements	<u>(4,959)</u>
Net cash flow from investing activities	<u>(8,982)</u>
Cash flow from financing activities: None	
Change in cash	80,263
Cash and cash equivalents - beginning of year	<u>303,380</u>
Cash and cash equivalents - end of year	<u>\$ 383,643</u>

See notes to the financial statements

FOSTER PARROTS, LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**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, 2019.

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, 2019

Donated (Volunteer) Services and In-Kind Contributions

The Organization benefited from the services of 50 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. At December 31, 2019, there are no receivables.

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 2019 was \$31,947.

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, 2019, management believes that it has no uncertain tax positions within any of its open tax years.

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.

New Accounting Pronouncement

During 2018, Foster Parrots, Ltd. adopted the provisions of the Financial Accounting Standards Board's (FASB) Accounting Standard Update (ASU) 2016-14, *Not-for-Profit Entities: Topic 958 – Presentation of Financial Statements of Not-for-Profit Entities*. The amendment in this ASU affect not-for-profit entities and the users of their financial statements. The update addresses the complexity and understandability of net asset classification, deficiencies in

FOSTER PARROTS, LTD.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization presented these changes for calendar year 2018.

**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.

**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:

Equities	<u>\$ 51,481</u>
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The following table summarizes the unrestricted investment return and its classification in the Statement of Activities for the year ended December 31, 2019.

Interest income and dividend income	\$ 2,167
Unrealized gains on investments	<u>8,142</u>
Total investment income net of expenses	<u>\$ 10,309</u>

**Note 4 - Property and Equipment**

Property and equipment consists of the following at December 31, 2019.

Land	\$ 24,000
Building	585,254
Cabins	183,705
Equipment	62,016
Leasehold improvements	353,633
Motor vehicle	<u>17,092</u>
	1,225,700
Less accumulated depreciation	<u>(296,615)</u>
	<u>\$ 929,085</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, 2019, 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.

FOSTER PARROTS, LTD.  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2019

**Note 6 - Net Assets with Donor Restrictions**

At December 31, 2019, net assets with donor restrictions were restricted for the following purposes:

<u>Description</u>	<u>2019</u>
Capital Campaign	\$ 200,000
MCCR	7,100
Other operating funds	<u>17,500</u>
Total	<u>\$ 224,600</u>

**Note 7 - NEEWS**

Expenses for the New England Exotic Wildlife Sanctuary (NEEWS) amounted to \$468,893.

**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, 2019, there is no liability for accrued absences.

**Note 9 - Related Party/Donated Professional Services**

Donated professional services from one Board Member amounted to \$10,000 for veterinary 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. Contributions of \$82,437 were collected on behalf of MCCR and disbursements of \$84,693 to MCCR were used for general support of the project including direct bird care costs, supplies and equipment, and infrastructure development. Future infrastructure development will include 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, 2019, 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>2019</u>
Cash and cash equivalents	\$ 132,162
Operating investments	<u>51,481</u>
Total financial assets	183,643
Less net assets with purpose restrictions to be met in less than one year	<u>( 14,524 )</u>
Financial assets available to meet general expenditures over the next year	<u>\$ 169,119</u>

FOSTER PARROTS, LTD.  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2019

**Note 12 - Contingencies**

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 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**

Management has evaluated subsequent events through June 10, 2020, the date that the financial statements were available to be issued.

In December of 2019, a worldwide outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the United States of America. On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. The organization, deemed an essential service, remained open for the care and custody of the avian and other animal populations in their care. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty. Subsequent to December 31, 2019, the Organization has obtained loan funding through the Small Business Administration Paycheck Protection Program in the amount of \$50,972. The loan accrues interest at an annual rate of 1% with a term of up to five years. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization is expected to meet those requirements.