

PILOTS TO THE RESCUE INC.

**FINANCIAL STATEMENTS
AND
AUDITORS' REPORT**

DECEMBER 31, 2022 AND 2021

PILOTS TO THE RESCUE INC.

Index

	<u>Page</u>
Independent Auditors' Report	1 – 2
Statements of financial position as of December 31, 2022 and 2021	3
Statements of activities for the years ended December 31, 2022 and 2021	4
Statement of expenses for the year ended December 31, 2022	5
Statement of expenses for the year ended December 31, 2021	6
Statements of cash flows for the years ended December 31, 2022 and 2021	7
Notes to financial statements	8 – 13

INDEPENDENT AUDITORS' REPORT

To: The Board of Directors of
Pilots to the Rescue Inc.

Opinion

We have audited the financial statements of Pilots to the Rescue Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2022 and 2021, and the related statements of activities, expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Pilots to the Rescue Inc. as of December 31, 2022 and 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Pilots to the Rescue Inc. 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 Pilots to the Rescue Inc.'s ability to continue as a going concern for one year after the date that the financial statements are 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 GAAS 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 could reasonably be expected to influence the judgment made by a reasonable user based on these financial statements.

In performing an audit in accordance with GAAS, 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 Pilots to the 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 Pilots to the 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.

New York, NY
November 14, 2022

Skoddy Scot & Company, CPAS, P.C.

**PILOTS TO THE RESCUE INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021**

	2022	2021
ASSETS		
Cash	\$ 94,579	\$ 136,711
Cash held by escrow agent	138,956	239,899
Investments	740,940	659,655
Annuity contract	39,371	49,017
Prepaid expenses	11,346	5,588
Property and equipment, net	685,179	257,805
Security deposit	1,011	1,011
Total assets	\$ 1,711,382	\$ 1,349,686

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 86,977	\$ 64,823
Loan payable	298,702	-
Due to related party	3,662	17,785
Total liabilities	389,341	82,608
Commitments and contingencies (see notes)		
Net Assets:		
Without donor restrictions	1,322,041	1,267,078
With donor restrictions	-	-
Total net assets	1,322,041	1,267,078
Total liabilities and net assets	\$ 1,711,382	\$ 1,349,686

See accompanying notes to the financial statements.

**PILOTS TO THE RESCUE INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Support and Revenues:		
Without donor restrictions:		
Contributions	\$ 1,781,617	\$ 2,148,883
In-kind contributions	-	-
Royalty income	4,658	5,343
Investment return	(113,182)	(7,937)
Total support and revenues	1,673,093	2,146,289
Expenses:		
Program services	1,225,151	669,343
Supporting services:		
Management and general	86,049	49,306
Fundraising	306,930	532,824
Total expenses	1,618,130	1,251,473
Loss on sale of plane	-	-
Total expenses and losses	1,618,130	1,251,473
Increase/(Decrease) In Net Assets:		
Without donor restrictions	54,963	894,816
With donor restrictions	-	-
Increase/(decrease) in net assets	54,963	894,816
Net assets, beginning of year	1,267,078	372,262
Net assets, end of year	\$ 1,322,041	\$ 1,267,078

See accompanying notes to the financial statements.

**PILOTS TO THE RESCUE INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2022**

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 96,087	\$ 10,676	\$ -	\$ 106,763
Payroll taxes	7,794	866	-	8,660
Consultants and contractors	92,114	9,112	6,881	108,107
Back-end costs	8,735	206	4,646	13,587
Depreciation	28,668	3,185	-	31,853
Dues and subscriptions	11,576	645	3,928	16,149
Equipment and software	24,334	1,017	10,338	35,689
Flight expenses	128,147	14,239	-	142,386
Grants to other organizations	8,028	334	3,418	11,780
Insurance	14,389	1,584	-	15,973
Interest	2,788	325	-	3,113
List rentals	16,512	544	7,912	24,968
Mailhouse expenses	61,721	1,502	32,827	96,050
Office expenses	24,318	2,324	2,322	28,964
Postage	240,966	6,947	121,527	369,440
Printing	159,310	4,995	77,898	242,203
Promotion	54,276	6,031	-	60,307
Professional fees	76,304	2,730	35,233	114,267
Rent and utilities	19,978	2,220	-	22,198
Repairs and maintenance	66,958	7,440	-	74,398
Supplies	19,085	2,121	-	21,206
Telephone and communications	1,041	116	-	1,157
Travel and meetings	52,073	5,785	-	57,858
Website	9,949	1,105	-	11,054
Total expenses	\$ 1,225,151	\$ 86,049	\$ 306,930	\$ 1,618,130

See accompanying notes to the financial statements.

PILOTS TO THE RESCUE INC.
STATEMENT OF EXPENSES
YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total Expenses
		Management & General	Fundraising	
Salaries	\$ 52,556	\$ 5,840	\$ -	\$ 58,396
Payroll taxes	4,852	539	-	5,391
Consultants and contractors	61,553	6,433	10,006	77,992
Back-end costs	6,143	260	10,395	16,798
Depreciation	19,886	2,210	-	22,096
Dues and subscriptions	4,840	342	4,822	10,004
Equipment and software	11,427	505	18,820	30,752
Flight expenses	48,056	-	-	48,056
Grants to other organizations	1,668	-	-	1,668
Insurance	9,031	1,003	-	10,034
Interest	309	34	-	343
List rentals	9,485	402	16,049	25,936
Mailhouse expenses	41,487	2,240	58,351	102,078
Office expenses	12,778	1,309	4,348	18,435
Postage	120,253	5,128	202,718	328,099
Printing	42,734	857	95,804	139,395
Promotion	34,801	3,867	50,087	88,755
Professional fees	47,344	2,766	61,424	111,534
Rent and utilities	50,721	5,636	-	56,357
Repairs and maintenance	990	110	-	1,100
Supplies	71,221	7,913	-	79,134
Telephone and communications	956	106	-	1,062
Travel and meetings	8,840	982	-	9,822
Website	7,412	824	-	8,236
Total expenses	\$ 669,343	\$ 49,306	\$ 532,824	\$ 1,251,473

See accompanying notes to the financial statements.

**PILOTS TO THE RESCUE INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	2021
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ 54,963	\$ 894,816
Adjustments for non-cash items included in operating activities:		
Loss on sale of plane	-	-
Depreciation	31,853	22,096
Donated investments	(156,950)	(612,481)
Donated annuity contract	-	-
Decrease in annuity cash surrender value	134	134
(Gains)/losses on investments	15,345	15,345
Changes in assets and liabilities:		
Prepaid expenses	(5,758)	(504)
Security deposit	-	-
Accounts payable & accrued expenses	22,154	28,924
Due to related party	17,785	17,785
Net cash provided/(used) by operating activities	(20,474)	366,115
Cash flows from investing activities:		
Investment purchases	(686,487)	(686,487)
Investment sales	623,968	623,968
Sale of property and equipment	-	-
Purchase of property and equipment	(60,082)	(60,082)
Net cash provided/(used) by investing activities	(122,601)	(122,601)
Cash flows from financing activities:		
Repayment of related party loan	-	-
Proceeds from loan	-	-
Loan repayment	-	-
Net cash provided/(used) by financing activities	-	-
Net increase/(decrease) in cash	(143,075)	243,514
Cash at beginning of year	376,610	133,096
Cash at end of year	\$ 233,535	\$ 376,610
Supplemental information:		
Interest paid	\$ 3,113	\$ 343

See accompanying notes to the financial statements.

**PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Summary of Significant Accounting Policies

The Organization

Pilots to the Rescue Inc. (the Organization), formerly Animal Rescue Flight Inc., a not-for-profit organization, was incorporated in the State of New York on March 6, 2015. The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal, state or local income taxes has been recorded. The Organization does not believe its financial statements contain any uncertain tax positions. The Organization primarily receives its support from contributions.

The Organization's primary purpose is to rescue potential pets that are facing euthanasia. The Organization does this by utilizing a rescue flight system that enrolls a network of trained pilots, shelters, ground teams, and veterinarians to fly animals from kill shelters to no-kill shelters.

Basis of Accounting

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

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Property and Equipment

The Organization capitalizes certain property and equipment with estimated lives of three years or more. Property and equipment are stated at cost, less accumulated depreciation. Depreciation of equipment is computed by the straight-line method over estimated useful lives ranging from five to twelve years. Expenditures for repairs and maintenance are expensed as incurred and major renewals and betterments are capitalized.

Net Assets

Net assets, revenue, gains and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. This classification includes net assets designated by the board or management for a specified purpose.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature (endowment), where the donor stipulates that resources be maintained in perpetuity.

PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

The Organization recognizes contributions when cash, nonfinancial assets, or unconditional promises to give are received. Nonfinancial assets are valued based upon the type of asset that is received. Conditional promises to give, which have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Amounts received prior to the meeting of these conditions are reported as refundable advances in the statements of financial position. At December 31, 2022 and 2021, the Organization did not have any conditional pledges that were not recognized.

All contributions are considered available for the Organization's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as revenue with donor restrictions and increases in net assets with donor restrictions. Contributions received with donor restrictions that are met in the same reporting period are reported as revenue without donor restrictions and increases in net assets without donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization receives royalty income relating to donor list sharing done by a professional fundraiser (as further discussed in Note 2), with the Organization's approval. Revenue is recognized when the donor list has been sold by the professional fundraiser.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Organization allocates salaries and related expenses, consultants and contractors, and professional fees based on estimated time and effort. Other expenses, such as back-end costs, insurance, office expenses, depreciation, mail-house expenses, rent & utilities, and printing, are allocated based on usage. The Organization classifies expenses, which are not directly related to a specific program, as Management and General expenses.

Note 2 - Cash

Cash, as shown on the statements of financial position and cash flows, consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash held by the Organization	\$ 94,579	\$ 136,711
Cash held by escrow agent	<u>138,956</u>	<u>239,899</u>
	<u>\$ 233,535</u>	<u>\$ 376,610</u>

The Organization is party to a fundraising contract with a professional fundraiser. The contract requires funds that are raised by the fundraiser to be held in escrow by a third-party agent until they are either spent on fundraising costs or remitted to the Organization.

**PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Fair Value Measurement of Investments

The Financial Accounting Standards Board (FASB) requires enhanced disclosures about investments that are measured and reported at fair value. FASB establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices, or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1: Investments falling within Level 1 of the fair value hierarchy are valued using inputs based upon quoted prices in active markets for identical investments. Investments that are typically included in Level 1 are listed equity securities, publicly traded mutual funds, and exchange traded funds.

Level 2: Investments falling within Level 2 of the fair value hierarchy are valued using significant observable inputs other than prices quoted in active markets. Examples of Level 2 inputs are model-driven prices, quoted prices for similar investments in active markets, and quoted prices for identical or similar investments in inactive markets. Investments that are typically included in Level 2 are municipal bonds, corporate bonds, government debt securities, and certificates of deposit.

Level 3: Investments falling within Level 3 of the fair value hierarchy are valued using methodology that is unobservable and significant to the fair value measurement. Level 3 inputs require significant management judgment or estimation. Investments that are typically included in this category are investments in limited partnerships, and investments in private companies or unregistered securities.

The investment'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.

The following summarizes the valuation of the Organization's investments by the above fair value hierarchy levels as of December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Level 1	\$ 740,940	\$ 659,655
Level 2	-	-
Level 3	-	-
	<u>\$ 740,940</u>	<u>\$ 659,655</u>

**PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Investments

Investments consisted of the following at December 31, 2022:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain/(Loss)</u>
Exchange traded funds	\$ 144,083	\$ 147,286	\$ 3,203
Mutual funds	<u>513,989</u>	<u>512,369</u>	<u>(1,620)</u>
Total investments	<u>\$ 658,072</u>	<u>\$ 659,655</u>	<u>\$ 1,583</u>

The Organization did not hold any investments at December 31, 2020.

Note 5 - Annuity Contract

In December 2020, the Organization received a donation of an annuity contract. The Organization is the owner and beneficiary of the annuity and the Organization's Executive Director is the annuitant. The annuity earns interest based on an indexed rate and the Organization may make withdrawals as needed, subject to certain fees and restrictions. The Organization made total withdrawals of \$6,771 and \$0 for the years ended December 31, 2021 and 2020, respectively. The annuity is stated at its cash surrender value of \$39,371 and \$49,017 at December 31, 2022 and 2021, respectively.

Note 6 - Property and Equipment

Property and equipment by major class consisted of the following at December 31, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Airplane	\$ 739,778	\$ 280,551
Electric bicycles	5,468	5,468
Less: Accumulated depreciation	<u>(60,067)</u>	<u>(28,214)</u>
	<u>\$ 685,179</u>	<u>\$ 257,805</u>

Note 7 - Joint Costs

The Organization achieves some of its programmatic and management and general goals in direct mail campaigns that include requests for contributions. The costs associated with these solicitation activities included fundraising, program, and administrative expenses (collectively defined as joint costs). The total joint (allocated) costs for the years ended December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Program	\$ 590,231	\$ 275,504
Management and general	23,323	11,736
Fundraising	<u>304,968</u>	<u>466,196</u>
	<u>\$ 918,521</u>	<u>\$ 735,436</u>

PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS

Note 8 - Concentrations

The Organization maintains its bank and investment accounts with financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures bank deposits up to \$250,000 per financial institution. The Securities Investor Protection Corporation insures cash and securities, including money market funds, up to \$500,000 per financial institution. At times, the balances of the accounts have exceeded the insured limits during the years ending December 31, 2022 and 2021.

Note 9 - Related Party Transactions

During the year ended December 31, 2020, a member of the Organization's board of directors received \$20,000 in exchange for consulting services provided to the Organization.

In November 2021, the Organization's credit card balance was mistakenly paid from the Executive Director's personal bank account. As of December 31, 2021, \$3,662 is due to the Executive Director related to this transaction. The amount was repaid in 2022.

Note 10 - Contributions In-Kind

The Organization received in-kind contributions that meet the criteria for being recognized in accordance with GAAP. For the years ended December 31, 2022 and 2021, amounts recognized in the statements of activities are as follows:

	<u>2022</u>	<u>2021</u>
Flight services – program flight costs	\$ -	\$ -

The in-kind contributions received during the year ended December 31, 2021, did not have any donor-imposed restrictions and were valued based upon the estimated cost to the Organization if the services were purchased.

Note 11 - Revenue from Contracts with Customers

All of the revenue derived from contracts with customers during years ended 2022 and 2021 was fully earned in the same annual reporting period. Detail of revenue from contracts with customers during the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
Royalty income	\$ 4,658	\$ 5,343

**PILOTS TO THE RESCUE INC.
NOTES TO FINANCIAL STATEMENTS**

Note 12 - Liquidity and Availability of Financial Assets

The Organization regularly monitors liquidity required to meet its operating needs and other obligations as they come due. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures. Amounts available for general expenditures over a 12-month period include donor-restricted amounts that are available for ongoing programmatic and support expenditures.

The following reflects the Organization's financial assets, as of December 31, 2022 and 2021, reduced by amounts not available for general use within one year because of contractual, donor-imposed, or internal restrictions and designations:

	<u>2022</u>	<u>2021</u>
Financial assets:		
Cash	\$ 233,535	\$ 376,610
Investments	740,940	659,655
Annuity contract	<u>39,371</u>	<u>49,017</u>
Total financial assets	1,013,846	1,085,282
Less those unavailable for general expenditures within one year:		
Cash held in escrow	<u>(138,956)</u>	<u>(239,899)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 874,890</u>	<u>\$ 845,383</u>

Note 13 - Subsequent Events

Subsequent events were evaluated for potential additional disclosures through November 14, 2022, which is the date the financial statements were available to be issued.