Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Financial Statements and Independent Auditor's Report

December 31, 2023

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Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Index

Independent Auditor's Report

To the Board of Directors
Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
West Palm Beach, Florida

Opinion

We have audited the financial statements of Peggy Adams Animal Rescue League of the Palm Beaches, Inc. (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of December 31, 2023, 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 accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("U.S. 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 for 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 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 would influence the judgment made by a reasonable user based on the 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 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.

CohnReznick LLP

Boca Raton, Florida
August 29, 2024

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Statement of Financial Position
December 31, 2023

Assets	
Cash and cash equivalents	$ 4,420,693
Restricted cash	103,000
Accounts receivable	49,912
Pledges receivable, net	486,945
Grant receivable	100,000
Inventory	51,444
Prepaid expenses	325,476
Mortgage receivable	82,382
Endowment receivable	3,646,673
Investments	32,670,693
Beneficial interest in assets held by Community Foundation	458,414
Beneficial interests in charitable trusts held by others	5,808,397
Beneficial interest in perpetual trust	50,544,036
Operating lease right-of-use asset	20,247
Property and equipment, net	31,542,843
Total assets	$ 130,311,155
Liabilities and Net Assets	
Accounts payable	$ 323,092
Accrued expenses	304,131
Operating lease liability	20,247
Deferred income	39,949
Total liabilities	687,419
Net assets	
Without donor restrictions	68,504,199
With donor restrictions	61,119,537
Total net assets	129,623,736
Total liabilities and net assets	$ 130,311,155

See Notes to Financial Statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Statement of Activities
Year Ended December 31, 2023

	Without donor restrictions	With donor restrictions	Total
Support and revenues			
Support			
Contributions and gifts	$ 4,474,631	$ 1,516,608	$ 5,991,239
Donated goods and services	255,589	-	255,589
Mail appeal, net	392,106	-	392,106
Total support	5,122,326	1,516,608	6,638,934
Revenues			
Boutique, net	38,227	-	38,227
Special events			
Gross proceeds from special events	1,306,850	-	1,306,850
Less direct benefit costs	(145,680)	-	(145,680)
Net proceeds from special events	1,161,170	-	1,161,170
Program income			
Sheltering and adoption	576,081	-	576,081
Clinic	1,404,868	-	1,404,868
Total revenues	3,180,346	-	3,180,346
Net assets released from restrictions	3,671,203	(3,671,203)	-
Total support and revenues	11,973,875	(2,154,595)	9,819,280
Expenses			
Sheltering and adoption	9,772,656	-	9,772,656
Clinic	1,956,595	-	1,956,595
Fundraising and development	1,034,389	-	1,034,389
General and administrative	830,400	-	830,400
Total expenses	13,594,040	-	13,594,040
Change in net assets before other income	(1,620,165)	(2,154,595)	(3,774,760)
Other income (expense)			
Investment income, net	820,662	-	820,662
Interest expense	(17,549)	-	(17,549)
Interest income	33,807	-	33,807
Mortgage interest income	7,141	-	7,141
Realized and unrealized gain on investments	3,308,824	-	3,308,824
Change in fair value of restricted remainder trusts and pledges	-	11,301,197	11,301,197
Total other income	4,152,885	11,301,197	15,454,082
Change in net assets	2,532,720	9,146,602	11,679,322
Net assets			
Beginning of year	65,971,479	51,972,935	117,944,414
End of year	$ 68,504,199	$ 61,119,537	$ 129,623,736

See Notes to Financial Statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Statement of Functional Expenses
Year Ended December 31, 2023

	Program services			Support services			
	Sheltering and adoption	Clinic	Total	Fundraising and development	General and administrative	Total	Total functional expenses
Total salaries and related expenses	$ 5,375,506	$ 1,072,501	$ 6,448,007	$ 621,261	$ 550,260	$ 1,171,521	$ 7,619,528
Advertising and marketing	3,602	-	3,602	107,178	-	107,178	110,780
Depreciation	1,499,690	176,434	1,676,124	35,287	52,930	88,217	1,764,341
Employee costs	92,896	19,569	112,465	12,258	14,627	26,885	139,350
Event expenses	28,973	2,873	31,846	59,341	485	59,826	91,672
Facility maintenance and repairs	307,524	-	307,524	-	-	-	307,524
Insurance	328,800	38,682	367,482	7,736	11,605	19,341	386,823
Occupancy costs	38,954	4,582	43,536	917	1,375	2,292	45,828
Office expenses and supplies	50,037	15,155	65,192	66,248	102,746	168,994	234,186
Outside contractors	136,442	170,024	306,466	41,614	72,501	114,115	420,581
Printing and promotion	5,345	2,633	7,978	64,959	57	65,016	72,994
Program supplies	1,265,528	377,112	1,642,640	596	1,046	1,642	1,644,282
Telephone and internet	42,260	9,620	51,880	3,356	2,619	5,975	57,855
Utilities	574,663	67,162	641,825	13,431	20,149	33,580	675,405
Vehicle maintenance	22,436	248	22,684	207	-	207	22,891
Total	$ 9,772,656	$ 1,956,595	$ 11,729,251	$ 1,034,389	$ 830,400	$ 1,864,789	$ 13,594,040

See Notes to Financial Statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.

Statement of Cash Flows
Year Ended December 31, 2023

Cash flows from operating activities	
Increase in net assets	$ 11,679,322
Adjustments to reconcile increase in net assets to net cash used in operating activities	
Depreciation	1,764,341
Changes in fair value of charitable trusts and pledges	(11,301,197)
Investment income, net	(820,662)
Realized and unrealized gain on investments	(3,308,824)
Endowment contribution	(117,000)
Changes in assets and liabilities	
Decreases (increases) in	
Pledges receivable	(75,719)
Accounts receivable	17,138
Grant receivable	87,500
Bequest and remainder trust receivables	2,014,409
Inventory	26,738
Prepaid expenses	(166,808)
Increases (decreases) in	
Accounts payable	(481,855)
Accrued expenses	(128,687)
Deferred revenue	7,967
Net cash used in operating activities	(803,337)
Cash flows from investing activities	
Proceeds from sales of investments	2,764,185
Purchases of investments	(1,790,961)
Principal collections on mortgage receivable	9,908
Purchases of property and equipment	(986,788)
Net cash used in investing activities	(3,656)
Cash flows from financing activities	
Proceeds from line of credit	290,000
Payments on line of credit	(1,720,000)
Net cash used in financing activities	(1,430,000)
Net decrease in cash, cash equivalents and restricted cash	(2,236,993)
Cash, cash equivalents and restricted cash	
Beginning of year	6,760,686
End of year	$ 4,523,693
Supplemental schedule of noncash investing and financing activities	
Purchase of property and equipment included in accounts payable	$ 158,445

See Notes to Financial Statements.

Note 1 - Organization and description of business

Peggy Adams Animal Rescue League of the Palm Beaches, Inc. (the "Organization") is a nonprofit organization, whose purpose is to encourage humane treatment of animals and promote animal welfare by providing adoption facilities and medical services to domesticated animals and by community education.

The Organization's support comes primarily from individual donors' contributions, endowments, payments for medical services provided to animals, and adoption fees. The Organization also operates a boutique store.

Note 2 - Summary of significant accounting policies

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Financial statement presentation

Net assets and revenues, gains and losses are classified in two classes of net assets based on the existence or absence of donor-imposed restrictions. The two classes of net assets categories are 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. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors or grants. Some donor restrictions may be temporary in nature; those restrictions will be met by actions of the Organization or by passage of time. Contributions of long-lived assets and cash restricted for the acquisition of long-lived assets are released when the assets are placed in service. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for their restricted purpose.

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 amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, cash equivalents and restricted cash

Cash consists of cash on hand. The Organization considers all highly liquid investments with an original maturity of three months or less at date of purchase to be cash equivalents. At December 31, 2023, there was $867,054 of cash held in brokerage accounts, which is included under the caption "cash equivalents" on the Organization's statements of financial position and cash flows. Restricted cash of $103,000 is restricted for an endowment fund.

Accounts receivable
Accounts receivable are recorded at estimated realizable value and result in the normal course of business. An allowance for doubtful accounts is based on an analysis of expected collection rates determined from experience. Management determined that no allowance for doubtful accounts was considered necessary as of December 31, 2023.

Pledges and grants receivable
The receipt by the Organization of unconditional promises to give with amounts due in future periods is reported as donor restricted support, unless explicit donor or grantor stipulations or circumstances surrounding the receipt of the promise make clear that the donor or grantor intended it to be used to support activities of the current period. Unconditional promises to give are reported at the discounted present value of estimated future cash flows, using a discount rate that approximates the rate of government securities, and are deemed fully collectible at December 31, 2023. Amortization of the discount is recorded as additional contribution revenue.

All pledges and grants receivable are expected to be collected, therefore management determined that no allowance for doubtful accounts was considered necessary at December 31, 2023.

Inventory
Inventory consists of pet supplies held for sale. Pet supply inventories are recorded at lower of cost (determined on the first-in, first-out method) or market.

Beneficial interests in charitable remainder trusts held by others
The Organization has been named as an irrevocable beneficiary of several charitable trusts held and administered by independent trustees. These trusts were created independently by donors and are administered by outside agents designated by the donors. The Organization has neither possession nor control over the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions is recorded in the statements of activities and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities.

Upon receipt of trust distributions or expenditures, or both, in satisfaction of the donor-restricted purpose, if any, net assets with donor-imposed time or purpose restrictions are released to net assets without donor restrictions.

Beneficial interests in perpetual trusts
The Organization has been named as an irrevocable beneficiary of a perpetual trust held and administered by an independent trustee. Perpetual trusts provide for the distribution of the net income of the trusts to the Organization; however, the Organization will never receive the assets of the trusts. At the date the Organization receives notice of a beneficial interest, a contribution with donor restrictions of a perpetual nature is recorded in the statements of activities and a beneficial interest in perpetual trust is recorded in the statements of financial position at the fair value of the underlying trust assets. Thereafter, beneficial interests in the trust are reported at the fair value of the trusts' assets in the statements of financial position, with trust distributions and changes in fair value recognized in the statements of activities.

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

Investments include both board-designated and donor-restricted endowment assets and are managed in accordance with board approved investment and spending policies. The policies, including the policy establishing the portion of the portfolio to be spent annually, seek to preserve the value of the portfolio in real terms and to generate a reliable flow of earnings for support of the Organization. The investment policy provides for major classes of assets, including cash and cash equivalents, fixed-income securities, domestic and international equities, emerging markets, and real estate.

Property and equipment
Buildings, building improvements and equipment are recorded at cost, if purchased, or at fair value at time of donation, if contributed. Depreciation is computed on the straight-line method over the following estimated useful lives of the depreciable assets:

	Years
Land improvements	5 - 10
Buildings and building improvements	10 - 30
Furniture and equipment	5 - 10
Vehicles	5

Major replacements and betterments of buildings, building improvements and equipment in excess of $2,500 are capitalized while repairs and minor replacements are charged to operations. Construction in progress (CIP) is recorded at cost and not depreciated until the asset is put into service.

Revenue recognition - contributions
The Organization recognizes contribution revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958, *Not-For-Profit Entities*. Contributions received are recognized when cash securities or other assets, including unconditional promises to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Contributions that are to be collected more than one year in the future are recorded at their discounted present value. All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as increases to net assets with donor restriction.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the statement of activities as "net assets released from restrictions."

Revenue recognition - exchange transactions
Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization evaluates exchange transactions based on the criteria set forth in FASB Accounting Standards Update ("ASU"), *Revenue from Contracts with Customers* ("Topic 606"). The core principle is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract and (v) recognize revenue when (or as) the entity satisfies a performance obligation.

The Organization applies Topic 606 to exchange transactions in which it receives consideration from individuals for special events. Under U.S. GAAP, these arrangements are exchange transactions between the Organization and the individuals. The portion of ticket sales for special events that relates to the commensurate value the attendee receives in return is recognized when the related events are held, and performance obligations are met.

Contributed services and in-kind contributions
Contributed nonfinancial assets include donated professional services, donated supplies, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. The Organization recognizes the fair value of contributed services received if such services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise have been purchased.

Program income
Program income is recognized as revenue at a point-in-time when services are performed, or goods are provided.

Advertising
The Organization expenses advertising costs as incurred. During the year ended December 31, 2023, the Organization incurred total advertising and marketing expenses of $176,629 inclusive of $65,850, which is classified within mail appeal, net.

Functional allocation of expenses
Functional expenses are those expenses incurred by the Organization in the accomplishment of their mission. The statement of functional expenses presents expenses by function and natural classification. Accordingly, certain costs have been allocated among the program and supporting services benefited. Expenses that can be directly identified with the program or supporting services are reported as expenses of those functional areas. Other expenses are allocated among program and supporting services based on a reasonable basis that is consistently applied. The expenses that are allocated include facility, insurance, utilities, and depreciation and other accounts as appropriate which are allocated based on square footage, as well as, office expenses and computer services which are allocated based on full-time equivalents by department.

Income taxes
The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code") as a charitable organization whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded at December 31, 2023.

The Organization recognizes and measures tax positions based on their technical merit and assesses the likelihood that the positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and noninterest expense, respectively. No uncertain tax positions were identified by the Organization at December 31, 2023.

The U.S. federal jurisdiction is the major tax jurisdiction where the Organization files income tax returns. The Organization's tax years subject to examination by tax authorities generally remain open for three years from the date of filing.

Leases, right-of-use assets and liabilities
The Organization recognizes a right-of-use ("ROU") lease asset and a corresponding lease liability for virtually all leases on the lease commencement date. The ROU lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using information available at lease commencement.

Total lease costs on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Annual rent expense comprises amortization of the lease assets plus interest on the lease liability adjusted for any variations in lease payment amounts.

The Organization presents its ROU assets and lease liabilities for operating leases separately on its statement of financial position. See Note 10 - Operating Leases for additional information including the Organization's undiscounted future lease payments and the timing of those payments.

Recent adoption of new accounting pronouncement
During the year ended December 31, 2023, the Organization adopted FASB ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU provides guidance that significantly affects how reporting entities will measure credit losses for most financial assets and certain other financial instruments. Adopting the new standard did not have a material effect on the presentation of the 2023 financial statements.

Subsequent events
Management has evaluated subsequent events through August 29, 2024, the date on which the financial statements were available to be issued.

Note 3 - Concentration of credit risk

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents, maintained at several interest bearing and noninterest-bearing bank accounts which, at times, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. At December 31, 2023, the Organization had $3,158,574 in excess of FDIC insured limits.

The Organization's investment accounts balances held at brokerage firms are insured by the Securities Investor Protection Corporation ("SIPC") up to $500,000. At December 31, 2023, amounts in excess of SIPC insured limits, including cash equivalents, were $33,037,748. The Organization has not experienced losses of this nature in any of its depository accounts.

Note 4 - Liquidity and availability of resources

The following table reflects the Organization's financial assets as of December 31, 2023, reduced by amounts that are not available to meet normal operating expenditures within one year of the statement of financial position date due to donor restrictions or contractual obligations. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions.

Financial assets at December 31, 2023	
Cash and cash equivalents	$ 4,420,693
Accounts receivable	49,912
Pledges receivable	486,945
Grant receivable	100,000
Mortgage receivable	82,382
Investments	32,670,693
Endowment receivable	3,646,673
Beneficial interest in assets held by Community Foundation	458,414
Bequest and remainder trust receivables	5,808,397
Beneficial interest in perpetual trust	50,544,036
Total financial assets	98,268,145
Less financial assets unavailable for general expenditure within one year due to	
Restricted by donors with purpose restrictions	(304,085)
Restricted by donors in perpetuity	(54,190,709)
Remainder trust receivables due in more than one year	(3,793,988)
Pledges receivable due in more than one year	(155,167)
Beneficial interest in assets held by Community Foundation	(458,414)
Mortgage receivable due in more than one year	(74,636)
Total financial assets unavailable for general expenditure	(58,976,999)
Total financial assets available for general expenditure within one year	$ 39,291,146

As part of the Organization's liquidity management, it invests cash in excess of daily requirements in short-term investments.

Note 5 - Mortgage receivable

The mortgage receivable is carried at its unpaid principal balance and is due in monthly installments of $1,154 including interest at 8% until July 2033, at which time all unpaid principal is due in full. The mortgage is collateralized by real property. Interest on the mortgage receivable is recognized over the term of the loan using the effective interest rate method. For the year ended December 31, 2023, the Organization recognized $7,141 in interest income.

The following is a schedule of future minimum mortgage principal collections at December 31, 2023:

Years ending December 31,		
2024	$	7,746
2025		8,174
2026		8,852
2027		9,587
2028		10,383
Thereafter		37,640
	$	82,382

Note 6 - Contributions receivable

Pledges receivable

The Organization has received pledge agreements from various individuals, which include unconditional promises to give without donor restrictions and donor-imposed restrictions to fund the Organization's Capital Campaign. Pledges receivable are due as follows:

Years ending December 31,		
2024	$	351,195
2025		70,000
2026		62,000
2027		22,000
2028		1,167
		506,362
Discount, at 3%		(19,417)
Pledges receivable, net	$	486,945

The present value is adjusted each year to reflect changes in current interest rates and other actuarial assumptions. The pledges receivable amount is expected to be received over the next four years and, accordingly, this amount was classified as restricted net assets in the statement of financial position at December 31, 2023. Approximately 16% of total undiscounted pledges receivable, or $80,000, represents pledges due from board members.

Grant receivable

During the year ended December 31, 2023, the Organization received grant awards from various grantors in the total amount of $636,560. Based on the active grant agreements from 2023, the cumulative total of future grant payments to be received at December 31, 2023 is $100,000.

Endowment receivable

The Organization received an unconditional pledge of $4,000,000 during 2007, from a member of the Organization's Board of Directors, for the purpose of establishing an endowment in which the principal is to be maintained in perpetuity and the earnings are to be used for a specific purpose. The pledged endowment is due upon the demise of the donor and a receivable has been recorded at its net present value amount of $3,646,673 in the statement of financial position at December 31, 2023.

Beneficial interests in charitable remainder trusts held by others

The Organization is a remainder beneficiary of an irrevocable charitable remainder trust that was created in October 1984. Three income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, an annual annuity equal to a percentage of the net fair market value of the trust assets on the first day of the trust year. Upon the demise of all three beneficiaries, 25% of the remaining principal is to be distributed to the Organization.

In addition, the Organization is the remainder beneficiary of an irrevocable trust from which 50% of the principal is to be distributed to the Organization upon demise of the income beneficiaries.

The Organization also is one of five beneficiaries of an irrevocable trust from which a 10% distribution of its fair market value is made each year and divided among the five different charitable organizations. Therefore, the Organization is to receive 20% of the annual distribution.

The Organization is a 50% beneficiary of a remainder trust. During the first 10 years, the Organization is to receive annual distributions equal to 50% of net income of the trust or $100,000, whichever is greater. After the initial 10 years, the Organization may request 10% distribution from the principal annually.

The total present value of future minimum receipts is $5,808,397 at December 31, 2023. The present value is adjusted each year to reflect changes in the life expectancy, current interest rates and other actuarial assumptions.

Beneficial interests in perpetual trust

The Organization is a 30% beneficiary of an endowment fund, which will make annual distributions to the beneficiaries based on 4.5% of the fair market value of the fund.

Note 7 - Beneficial interests in assets held by the Community Foundation

The Organization has established two charitable endowment funds known as the Peggy Adams Animal Rescue League Endowment Fund and the Melba Ruth Vickers Animal Medical Fund (collectively, the "Funds") with the Community Foundation for Palm Beach and Martin Counties ("Community Foundation"). These "agency restricted funds" are pooled with the other assets of the Community Foundation for investment purposes.

The earnings of the Funds have been restricted for the benefit of the Organization. Contributions made directly to the Funds from the Organization are recorded as assets of the Organization.

The Funds held and invested by the Community Foundation for the Organization's benefit are reported at fair value in the statements of financial position, with distributions and changes in fair value recognized in the statements of activities.

Return objectives and risk parameters
The Funds shall be invested by the Community Foundation in a long-term growth portfolio whose primary objective is long-term capital appreciation with an investment strategy of five (5) years or longer.

Spending policy
All distributions from the Funds shall be in accordance with the Community Foundation's spending policy in effect during any fiscal year of the Community Foundation. Distributions may be made from income and capital appreciation but not from the endowment principal. The endowment principal is the sum of the value of the initial contribution establishing the Funds by the Organization and Community Foundation plus all subsequent contributions to the Funds.

Interpretation of relevant law
Management has interpreted the law as requiring donor restricted net assets in an endowment fund to remain restricted until appropriated for expenditure by the Organization following the donor's intended purpose. In accordance with the State Management of Institutional Funds Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

1) The purposes of the Organization and the donor-restricted endowment fund;
2) General economic conditions;
3) The possible effect of inflation and deflation;
4) The expected total return from income and the appreciation of investments;
5) Other resources of the Organization; and
6) The investment policies of the Organization.

From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted the State Management of Institutional Funds Act, to permit spending from underwater endowments in accordance with prudent measures required under law.

The changes in the Organization's endowment net assets were as follows for the year ended December 31, 2023:

	Net assets with donor restrictions
Beneficial interest in assets held by Community Foundation, beginning of year	$ 305,478
Contributions	117,000
Net appreciation, unrealized	35,936
Beneficial interest in assets held by Community Foundation, end of year	$ 458,414

The initial contributions of $296,000 and subsequent contribution in 2023 of $117,000 are not available for distribution and may not be withdrawn from the Funds.

As of December 31, 2023, earnings from the endowment of $45,414 are subject to board appropriation and are included with net assets with donor restrictions until they are appropriated.

Note 8 - Fair value measurements and disclosures

Valuation of investments at fair value

The Organization adopted the provisions of the FASB ASC 820, *Fair Value Measurements.* Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Organization.

Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three (3) levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

The following section describes the valuation methodologies the Organization uses to measure its assets at fair value.

- Fixed income funds, equity securities and mutual funds are valued at the quoted net asset value of shares reported in the active market in which they are traded (Level 1).

- The fair value of beneficial interest in assets held by the Community Foundation is based on the fair value of fund investments as reported by the Community Foundation. These are considered Level 3 measurements.

- The fair values of beneficial interests in charitable and perpetual trusts are determined using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the underlying assets and are based on the fair values of trust investments as reported by the trustees. These are considered Level 3 measurements.

The fair value measurements of assets held at December 31, 2023 are summarized as follows:

	Fair value measurement at December 31, 2023			
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments				
Equities	$ 18,516,319	$ 18,516,319	$ -	$ -
Fixed income funds	10,538,188	10,538,188	-	-
Mutual funds specific strategy	2,853,689	2,853,689	-	-
Other	762,497	762,497	-	-
	$ 32,670,693	$ 32,670,693	$ -	$ -
Beneficial interests in				
Assets held by Community Foundation	$ 458,414	$ -	$ -	$ 458,414
Charitable trusts held by others	$ 5,808,397	$ -	$ -	$ 5,808,397
Perpetual trust	$ 50,544,036	$ -	$ -	$ 50,544,036

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended December 31, 2023:

	Fair value measurements at report date using significant unobservable inputs (Level 3)		
	Beneficial interests		
	Charitable trusts held by others	Assets held by Community Foundation	Perpetual trusts
Balance at December 31, 2022	$ 5,380,643	$ 296,000	$ 41,702,707
Purchases/contributions of investments	110,444	117,000	772,266
Investment return, net	809,884	45,414	9,335,782
Distributions	(492,574)	-	(1,266,719)
Balance at December 31, 2023	$ 5,808,397	$ 458,414	$ 50,544,036

Investment expenses

External and direct internal expenses relating to investment revenues amounted to $135,513 and have been netted against investment revenues in the accompanying statement of activities.

Note 9 - Property and equipment

Property and equipment at December 31, 2023 consisted of the following:

Land	$ 2,535,744
Buildings and domes	32,701,683
Land and building improvements	6,781,905
Furniture and equipment	3,676,644
Computers and related equipment	405,782
Vehicles	334,974
	46,436,732
Less accumulated depreciation	(16,010,621)
	30,426,111
Construction in process	1,116,732
Property and equipment, net	$ 31,542,843

Depreciation expense was $1,764,341 for the year ended December 31, 2023.

Note 10 - Operating leases

During November 2020, the Organization entered into a six-year equipment lease. Rent expense under the lease is $9,852 annually. The lease agreement allows for one, three-month renewal option to extend the lease term.

The operating leases are included as an operating lease ROU asset on the accompanying statement of financial position and represent the Organization's right to use the underlying asset for the lease term. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. The Organization's obligation to make lease payments is included as an operating lease liability on the statement of financial position and is based on the present value of the lease payments for the remaining lease term of the Organization's existing leases using a discount rate of 1.37%, which is the risk-free discount rate at lease commencement. All operating lease expenses are recognized on a straight-line basis over the lease term.

Total rent expense under the lease was $9,515 for the year ended December 31, 2023.

Maturities of lease liabilities are as follows:

Years ending December 31,		
2024	$	9,852
2025		9,852
2026		1,642
Total payments		21,346
Less amount representing interest		(1,099)
Lease obligation, net	$	20,247

The weighted average remaining lease term is 26 months.

Note 11 - Debt

Line of credit

On August 23, 2019, the Organization entered into a revolving line of credit with a bank, which permitted borrowings up to $10,000,000. The line of credit bears interest at the Bloomberg Short-term Bank Yield Daily Floating Rate and is collateralized by certain investments of the Organization. The Organization had a $0 balance outstanding due on the line of credit at December 31, 2023.

Note 12 - Commitments and contingencies

Contingent liabilities

The Organization is subject to asserted claims and liabilities that arise in the ordinary course of business. The Organization maintains insurance policies to mitigate potential losses from these actions. In the opinion of management, the amount of the ultimate liability with respect to those actions will not materially affect the Organization's financial position or results of operations.

Note 13 - Net assets with donor restrictions

Net assets with donor restrictions at December 31, 2023 are restricted for the following purposes:

Subject to expenditure for specified purpose	
Unsatisfied grant purpose restrictions	$ 304,085
Pledges - purpose restricted	207,267
Total subject to expenditure for specified purpose	511,352
Subject to the passage of time	
Pledges - time restricted	47,665
Beneficial interest in charitable trusts held by others	5,808,397
Restricted cash	103,000
Community Foundation earnings subject to appropriation	45,414
Total subject to the passage of time	6,004,476
Perpetual in nature, not subject to spending policy or appropriation	
Beneficial interest in assets held by Community Foundation	413,000
Beneficial interest in perpetual trust	50,544,036
Endowment receivable	3,646,673
Total held in perpetuity	54,603,709
Total net assets with donor restrictions	$ 61,119,537

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose, occurrence of the passage of time or other events specified by the donors as follows:

Expiration of time and purpose restrictions	
Expiration of time restrictions	$ 2,163,927
Satisfaction of purpose restrictions	1,507,276
Total net assets released from restrictions	$ 3,671,203

Note 14 - Contributed nonfinancial assets

For the year ended December 31, 2023, contributed nonfinancial assets recognized within the statement of activities included:

Animal food	$ 147,904
Medical supplies	96,590
Medicine, vaccines, preventatives	11,095
Total contributed nonfinancial assets	$ 255,589

The Organization recognized contributed nonfinancial assets within revenue, including contributed animal food and property. These contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed animal food was utilized in the animal shelter and the food pantry. In valuing the animal food and services, the Organization estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.

The contributed property was valued according to the estimated fair market value of the property at the date of the donation.

Note 15 - Related party transactions

The Organization received $2,858,367 of contributions from members of the Board of Directors and foundations related to members of the Board of Directors during the year ended December 31, 2023.

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