



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

Financial Statements

December 31, 2019

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Independent Auditors' Report

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

We have audited the accompanying financial statements of Peggy Adams Animal Rescue League of the Palm Beaches, Inc. (the "Organization"), which comprise the statement of financial position at 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 audit. We conducted our audit 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 auditor's 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 control 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization at December 31, 2019, 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.

Angela Calton LLP

Jupiter, Florida
April 28, 2020

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Financial Position
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 4,041,764
Restricted cash and cash equivalents	8,217,304
Accounts receivable, net	107,773
Pledges receivable	5,472,617
Grant receivable	50,000
Inventory	66,299
Prepaid expenses	59,119
Mortgage receivable	113,262
Endowment receivable	3,848,390
Bequest and remainder trust receivables	51,006,640
Investments	28,892,966
Investments - endowment fund	97,327
Property and equipment, net	<u>17,214,692</u>
 Total assets	 <u>\$ 119,188,153</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 635,934
Accrued expenses	302,867
Total liabilities	<u>938,801</u>
 Net assets:	
Without donor restrictions	46,082,018
With donor restrictions	72,167,334
Total net assets	<u>118,249,352</u>
 Total liabilities and net assets	 <u>\$ 119,188,153</u>

See accompanying notes to financial statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions and gifts	\$ 3,957,474	\$ 4,390,008	\$ 8,347,482
Special events, net	864,560	-	864,560
Mail appeal, net	319,049	-	319,049
Boutique, net	30,727	-	30,727
Program income:			
Sheltering and adoption	874,901	-	874,901
Clinic	1,488,245	-	1,488,245
Investment income	765,587	-	765,587
Assets released from restrictions	2,945,198	(2,945,198)	-
Total revenues and other support	<u>11,245,741</u>	<u>1,444,810</u>	<u>12,690,551</u>
Expenses:			
Program services:			
Sheltering and adoption	6,257,172	-	6,257,172
Clinic	2,845,462	-	2,845,462
	<u>9,102,634</u>	<u>-</u>	<u>9,102,634</u>
Support services:			
Fundraising and development	738,224	-	738,224
General and administrative	645,214	-	645,214
	<u>1,383,438</u>	<u>-</u>	<u>1,383,438</u>
Total expenses	<u>10,486,072</u>	<u>-</u>	<u>10,486,072</u>
Change in net assets before other income (expense)	<u>759,669</u>	<u>1,444,810</u>	<u>2,204,479</u>
Other income (expense):			
Loss on sale of property and equipment	(83,216)	-	(83,216)
Mortgage interest income	9,387	-	9,387
Realized and unrealized gain on investments	4,102,089	-	4,102,089
Change in fair value of restricted net assets	-	10,189,098	10,189,098
Total other expense	<u>4,028,260</u>	<u>10,189,098</u>	<u>14,217,358</u>
Change in net assets	4,787,929	11,633,908	16,421,837
Net assets:			
Beginning of year	<u>41,294,089</u>	<u>60,533,426</u>	<u>101,827,515</u>
End of year	<u>\$ 46,082,018</u>	<u>\$ 72,167,334</u>	<u>\$ 118,249,352</u>

See accompanying notes to financial statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services			Support Services			Total Functional Expenses
	Sheltering and Adoption	Clinic	Total	Fundraising and Development	General and Administrative	Total	
Total salaries and related expenses	\$ 3,608,766	\$ 1,641,807	\$ 5,250,573	\$ 380,989	\$ 351,382	\$ 732,371	\$ 5,982,944
Advertising and marketing	21,854	-	21,854	159,127	-	159,127	180,981
Depreciation	537,577	208,470	746,047	9,207	29,842	39,049	785,096
Employee costs	77,085	23,954	101,039	3,083	19,248	22,331	123,370
Event expenses	30,272	105	30,377	34,452	4,325	38,777	69,154
Facility maintenance and repairs	244,192	26,981	271,173	318	1,014	1,332	272,505
Insurance	80,978	29,024	110,002	1,351	4,309	5,660	115,662
Office expenses and supplies	86,303	31,055	117,358	53,070	109,933	163,003	280,361
Outside contractors	201,481	145,698	347,179	22,559	84,545	107,104	454,283
Printing and promotion	13,991	3,845	17,836	66,017	10,388	76,405	94,241
Program supplies	1,023,411	620,168	1,643,579	168	4,546	4,714	1,648,293
Telephone and internet	35,615	11,609	47,224	3,104	10,432	13,536	60,760
Utilities	270,678	97,018	367,696	4,515	14,406	18,921	386,617
Occupancy costs	15,841	5,678	21,519	264	844	1,108	22,627
Vehicle maintenance	9,128	50	9,178	-	-	-	9,178
Total	\$ 6,257,172	\$ 2,845,462	\$ 9,102,634	\$ 738,224	\$ 645,214	\$ 1,383,438	\$ 10,486,072

See accompanying notes to financial statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Cash Flows
For the Year Ended December 31, 2019

Cash flows from operating activities:	
Increase in net assets	\$ 16,421,837
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	789,136
Loss on sale of property and equipment	83,216
Changes in fair value of bequests, remainder trusts, and pledges	(10,189,098)
Investment income, net	(664,291)
Realized and unrealized gain on investments	(4,102,089)
Changes in assets and liabilities:	
Decreases (increases) in:	
Pledges receivable	1,973,474
Accounts receivable	(74,332)
Grant receivable	50,000
Bequest and remainder trust receivables	2,027,280
Inventory	29,917
Prepaid expenses	58,727
Increases in:	
Accounts payable	134,720
Accrued expenses	62,767
Net cash provided by operating activities	<u>6,601,264</u>
Cash flows from investing activities:	
Proceeds from sales of investments	1,814,537
Purchases of investments	(1,689,830)
Principal collections on mortgage receivable	6,094
Proceeds from sale of property and equipment	5,000
Purchases of property and equipment	(4,228,414)
Net cash used in investing activities	<u>(4,092,613)</u>
Cash flows from financing activities	<u>-</u>
Net increase in cash, cash equivalents and restricted cash	2,508,651
<u>Cash, cash equivalents and restricted cash:</u>	
Beginning of year	<u>9,750,417</u>
End of year	<u><u>\$ 12,259,068</u></u>

See accompanying notes to financial statements.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc. 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 and payments for medical services provided to animals. The Organization also operates a boutique store.

Note 2 – Summary of Significant Accounting Policies

Financial Statement Presentation

The Organization's financial statements are prepared on the accrual basis of accounting. Net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions, as follows:

Net Assets without Donor Restrictions – Available for use in general operations and are not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation.

Net Assets with Donor Restrictions – Some restrictions are temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the stipulated time has elapsed, the stipulated purpose has been fulfilled, or both. Contributions of long-lived assets and of cash restricted for the acquisition of long-lived assets are released when the assets are placed in service. Donor-restricted endowment earnings are released when those earnings are appropriated in accordance with spending policies and are used for their restricted purpose.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Bequests and Remainder Trusts

The Organization is a beneficiary under various will and trust agreements. Related amounts are recorded either when a will is declared valid by a probate court, or when the Organization is notified as a beneficiary of a trust and the proceeds are measurable. The beneficial interest in the remainder trusts is recorded at net present value, using risk-free interest rates applicable to the years in which the benefit is expected to be received.

Note 2 – Summary of Significant Accounting Policies, continued

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or passage of time. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as donor restricted support that increases the net assets with donor restrictions class.

When a donor restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), the net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted.

Capital Campaign

During 2018, the Organization began a campaign (the “Capital Campaign”) to raise funds for the new adoption center project and other building and land improvements. Construction of the new adoption center began in July 2019 and is expected to be completed in November 2020.

Program Income

Program income is recognized as revenue when services are performed.

Fundraising

The Organization's financial statements are presented in accordance with Accounting Standard Codification (“ASC”) 958, *Accounting for Costs of Activities of Not-for-Profit Organizations and State and Local Government Entities that include Fundraising* (formerly Statement of Position 98-2). The ASC establishes criteria for accounting and reporting for any activity that solicits contributions.

Fundraising Special Events

The Organization recognizes special event income in the year the event occurs. Special event income is reflected net of direct expenditures.

Cash and Cash Equivalents

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, 2019, there was \$1,258,994 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.

Accounts Receivable

Accounts receivable are stated at uncollected balances, less an allowance for doubtful accounts. Allowance for doubtful accounts is calculated based on the aging of the Organization's accounts receivable, historical experience, third-party contracts and other circumstances, and reflects management's best estimate of the amounts that will not be collected. The allowance is increased by charges to income and decreased by charge-offs (net of recoveries). At December 31, 2019, there was no allowance balance as the Organization estimated that the default risk associated with its accounts receivable was minimal.

Note 2 – Summary of Significant Accounting Policies, continued

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, 2019. Amortization of the discount is recorded as additional contribution revenue.

Valuation of Investments at Fair Value

The Organization adopted the provisions of the Financial Accounting Standards Board (“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 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.

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.

Note 2 – Summary of Significant Accounting Policies, continued

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.

	<u>Years</u>
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.

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 activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Certain salaries, wages and related expenses have been allocated based on the function of the staff across the departments and all other supporting expenses consisting of facility and vehicle maintenance, insurance, supplies, utilities, and others have been allocated based on the square footage of space occupied by each program and supporting service.

In-kind Contributions and Contributed Services

In-kind contributions are reflected as contributions at their estimated fair value at time of donation. Gifts of nonmonetary contributions are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. 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. In addition, the Organization received services from a large number of volunteers who give significant amounts of their time to the Organization's programs and fund-raising campaigns that do not meet the criteria for financial statement recognition.

Income Taxes

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 220.13 of the Florida Statutes. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Code. Accordingly, there is no provision for income taxes.

The Organization has adopted FASB ASC 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization continually evaluates expiring statutes of limitations, changes in tax law and new authoritative rulings.

Note 2 – Summary of Significant Accounting Policies, continued

Advertising

The Organization expenses advertising costs as incurred. During the year ended December 31, 2019, the Organization incurred total advertising and marketing expenses of \$242,800, inclusive of \$61,819, which is classified within special events and mail appeal, net.

Accounting Pronouncement Adopted

The Organization has adopted the financial statement presentation and disclosure standards contained in the FASB Accounting Standard Update (“ASU”) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the classification of restricted cash in the statement of cash flows. The provisions have been applied for the year ended December 31, 2019.

Date of Management’s Review

Management has evaluated subsequent events through April 28, 2020, 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 non-interest bearing bank accounts which, at time, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2019, the Organization had \$10,115,250 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, 2019, amounts in excess of SIPC insured limits, including cash equivalents, were \$29,648,818. The Organization has not experienced losses of this nature in any of its depository accounts.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Notes to Financial Statements

Note 4 – Liquidity and Availability

Financial assets available for general expenditure, without donor or other restrictions limiting their use, within one year of December 31, 2019 are composed of the following:

Financial assets at December 31, 2019:	
Cash and cash equivalents	\$ 12,259,068
Accounts receivable	107,773
Pledges receivable	5,472,617
Grant receivable	50,000
Mortgage receivable	113,262
Investments	28,892,966
Endowment receivable	3,848,390
Investments - endowment fund	97,327
Bequest and remainder trust receivables	51,006,640
Total financial assets	<u>101,848,043</u>
Less financial assets not available for general expenditure within one year due to:	
Restricted by donors with purpose restrictions	\$ (16,013,964)
Restricted by donors in perpetuity	(3,848,390)
Bequest and remainder trust receivables due in more than one year	(48,979,360)
Pledges receivable due in more than one year	(434,255)
Investments - endowment fund	(85,967)
Mortgage receivable due in more than one year	(108,294)
Total financial assets unavailable for general expenditure	<u>(69,470,230)</u>
Less financial assets unavailable without Board's approval:	
Board designation of funds for capital campaign	\$ -
Total financial assets unavailable for Board designation	<u>-</u>
Total financial assets available for general expenditure within one year	<u>\$ 32,377,813</u>

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, 2019, the Organization recognized \$9,387 in interest income.

The following is a schedule of future minimum mortgage principal collections at December 31, 2019:

<u>Years Ending December 31,</u>	
2020	\$ 4,968
2021	5,380
2022	5,827
2023	6,310
2024	6,834
Thereafter	83,943
	<u>\$ 113,262</u>

Note 6 – Contributions Receivable

Pledges Receivable

During the year ended December 31, 2019, the Organization received pledge agreements from various individuals in the total amount of \$1,540,000, of which \$448,000 is unrestricted and \$1,092,000 had donor imposed restrictions to fund the Organization's Capital Campaign. The pledge amounts are to be collected in equal installments over the next five years. Based on the active pledge agreements from 2019 and earlier years, the cumulative total present value of future pledge payments to be received at December 31, 2019 is \$5,472,617. 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 five years and, accordingly, this amount was classified as restricted pledges receivable in the statement of financial position at December 31, 2019.

Grant Receivable

During the year ended December 31, 2019, the Organization received grant awards from various grantors in the total amount of \$462,000. Based on the active grant agreements from 2019 and earlier years, the cumulative total of future grant payments to be received at December 31, 2019 is \$50,000. The grant receivable amount is expected to be received during 2020, accordingly, this amount was classified as grant receivable in the statement of financial position at December 31, 2019.

Note 6 – Contributions Receivable, continued

Endowment Receivable

The Organization received an unconditional pledge of \$4,000,000 during 2007 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 operations. The pledged endowment is due upon the demise of the donor and a receivable has been recorded at its net present value amount of \$3,848,390 in the statement of financial position at December 31, 2019.

Bequest and Remainder Trust Receivable

The Organization is a remainder beneficiary of an irrevocable charitable remainder Unitrust that was created in October 1984. Three (3) 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 two additional trusts from which 50% and 100%, of the principal, respectively, is to be distributed to the Organization upon demise of the income beneficiaries.

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

The Organization also is a 30% beneficiary of a charitable foundation (Unitrust), which will make annual distributions to the beneficiaries based on 4.5% of the fair market value of the Unitrust.

The total present value of future minimum receipts is \$51,006,640 at December 31, 2019. The present value is adjusted each year to reflect changes in the life expectancy, current interest rates and other actuarial assumptions.

Note 7 – Investments – Endowment Fund

The Organization has established a charitable endowment fund known as the Peggy Adams Animal Rescue League Endowment Fund (the "Fund") with the Community Foundation for Palm Beach and Martin Counties ("Community Foundation"). The earnings of the Fund have been restricted for the benefit of the Organization. Assets contributed to the Community Foundation for the benefit of the Organization are recorded as assets of the Organization. These "agency restricted funds" are pooled with the other assets of the Community Foundation for investment purposes.

The Organization's initial contribution of \$50,000 is not available for distribution and may not be removed from the Fund.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Notes to Financial Statements

Note 7 – Investments – Endowment Fund, continued

The changes in the Organization's endowment net assets and held by others by type were as follows for the year ended December 31, 2019:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 50,000	\$ 50,000
Net appreciation, unrealized	11,360	35,967	47,327
Endowment net assets, end of year	\$ 11,360	\$ 85,967	\$ 97,327

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 years or longer.

Spending Policy

All distributions from the Fund 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 Fund by the Organization and Community Foundation plus all subsequent contributions to the Fund.

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.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Notes to Financial Statements

Note 8 – Investments

Investments are stated at fair value and have been categorized based upon a fair value hierarchy in accordance with FASB ASC 820 (see Summary of Significant Accounting Policies Note). All investments held at December 31, 2019 are summarized as follows:

	Fair Value Measurement at December 31, 2019			
	Total	Quoted Prices for Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 16,989,347	\$ 16,989,347	\$ -	\$ -
Fixed income funds	7,770,614	7,770,614	-	-
Mutual funds specific strategy	3,530,745	3,530,745	-	-
Other	602,260	602,260	-	-
	<u>\$ 28,892,966</u>	<u>\$ 28,892,966</u>	<u>\$ -</u>	<u>\$ -</u>

Note 9 – Property and Equipment

Property and equipment at December 31, 2019 consist of the following:

Land and land improvements	\$ 2,206,340
Buildings and building improvements	18,726,849
Construction in process	4,685,143
Furniture and equipment	1,608,637
Computers and related equipment	210,796
Vehicles	509,929
	<u>27,947,694</u>
Less: accumulated depreciation	(10,733,002)
Property and equipment, net	<u>\$ 17,214,692</u>

Depreciation expense was \$789,136 in 2019, of which \$4,041 is included within the boutique store operating results.

Note 10 – 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 LIBOR plus 0.75% and is collateralized by certain investments of the Organization. During the year ended December 31, 2019, there were no borrowings on the line of credit.

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Notes to Financial Statements

Note 11 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2019 are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Capital Campaign - cash and cash equivalents	\$ 8,217,304
Capital Campaign - pledges receivable	4,622,151
Unsatisfied grant purpose restrictions	118,795
Unsatisfied restricted purpose donations	49,482
Grant receivable	50,000
Pledge receivable (Napleton Pledge)	41,488
Endowment receivable	3,848,390
Total subject to expenditure for specified purpose	<u>16,947,610</u>
Subject to the passage of time:	
Pledges receivable not restricted by donors, unavailable for expenditure until due	\$ 808,978
Capital Campaign expenditures not yet placed in service	3,204,877
Bequest and charitable remainder trust receivables	51,006,640
Mortgage receivable	113,262
Investments - endowment fund	35,967
Total subject to the passage of time	<u>55,169,724</u>
Held in perpetuity	
Investments - endowment fund	\$ 50,000
Total held in perpetuity	<u>50,000</u>
Total net assets with donor restrictions	<u>\$ 72,167,334</u>

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	\$ 2,387,174
Satisfaction of purpose restrictions	558,024
Total net assets released from restrictions	<u>\$ 2,945,198</u>

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Notes to Financial Statements

Note 12 – Net Assets without Donor Restrictions

Net assets without donor restrictions are composed of the following at December 31, 2019:

Property and equipment, net	\$17,214,692
Undesignated	28,867,326
Total net assets without donor restrictions	<u>\$46,082,018</u>

Note 13 – Commitments and Contingencies

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 14 – Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the amounts shown in the statements of cash flows at December 31, 2019:

Cash, cash equivalents and restricted cash:	
Cash and cash equivalents	\$ 4,041,764
Restricted cash - Capital Campaign	8,217,304
Total cash, cash equivalents and restricted cash	<u>\$12,259,068</u>

Note 15 – Subsequent Events

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond the point of origin. On March 20, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, donors and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

Note 15 – Subsequent Events, continued

In response to the COVID-19 outbreak, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was passed by Congress and signed into law on March 27, 2020. The CARES Act was an economic relief stimulus package designed to provide economic assistance for American workers, families, and small businesses, and preserve jobs for our American industries. The CARES Act included financing options for small businesses, including the Paycheck Protection Program (the “PPP”), which provided federally-backed loans for certain payroll expenses through June 30, 2020, with up to eight weeks of forgiveness for small businesses, certain nonprofits and self-employed individuals to incentivize employers to maintain payroll during the crisis.

On April 16, 2020, the Organization was granted a loan (the “Loan”) from TD Bank, N.A. in the aggregate amount of \$1,066,670, pursuant to the PPP under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan, which was in the form of a Note dated April 16, 2020 issued by the Organization, matures on April 16, 2022 and bears interest at a rate of 1.0% per annum, payable monthly commencing in December of 2020. The Note may be prepaid at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations incurred before February 15, 2020. The Organization intends to use the Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.