

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

Financial Statements

December 31, 2020

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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. (a nonprofit organization), which comprise the statement of financial position at December 31, 2020, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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, 2020, 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 6, 2021

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Financial Position
December 31, 2020

ASSETS

Cash and cash equivalents	\$	4,745,507
Restricted cash and cash equivalents		391,019
Accounts receivable		97,112
Pledges receivable, net		3,300,191
Grant receivable		42,500
Inventory		79,404
Prepaid expenses		111,280
Mortgage receivable		107,863
Endowment receivable		3,988,279
Bequest and remainder trust receivables		60,372,933
Investments		32,677,498
Investments - endowment fund		106,996
Property and equipment, net		<u>28,255,532</u>
Total assets	\$	<u>134,276,114</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	894,179
Accrued expenses		215,317
Deferred income		54,928
Paycheck protection program loan		<u>1,066,670</u>
Total liabilities		<u>2,231,094</u>
Net assets:		
Without donor restrictions		49,468,001
With donor restrictions		<u>82,577,019</u>
Total net assets		<u>132,045,020</u>
Total liabilities and net assets	\$	<u>134,276,114</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, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions and gifts	\$ 3,872,944	\$ 4,749,073	\$ 8,622,017
Donated goods and services	201,660	-	201,660
Special events, net	229,393	-	229,393
Mail appeal, net	483,760	-	483,760
Boutique, net	35,630	-	35,630
Program income:			
Sheltering and adoption	449,939	-	449,939
Clinic	858,821	-	858,821
Investment income, net	599,686	-	599,686
Assets released from restrictions	3,936,244	(3,936,244)	-
Total revenues and other support	<u>10,668,077</u>	<u>812,829</u>	<u>11,480,906</u>
Expenses:			
Program services:			
Sheltering and adoption	6,997,417	-	6,997,417
Clinic	1,989,563	-	1,989,563
	<u>8,986,980</u>	<u>-</u>	<u>8,986,980</u>
Support services:			
Fundraising and development	760,910	-	760,910
General and administrative	622,273	-	622,273
	<u>1,383,183</u>	<u>-</u>	<u>1,383,183</u>
Total expenses	<u>10,370,163</u>	<u>-</u>	<u>10,370,163</u>
Change in net assets before other income	<u>297,914</u>	<u>812,829</u>	<u>1,110,743</u>
Other income:			
Mortgage interest income	8,881	-	8,881
Realized and unrealized gain on investments	3,079,188	-	3,079,188
Change in fair value of restricted net assets	-	9,596,856	9,596,856
Total other income	<u>3,088,069</u>	<u>9,596,856</u>	<u>12,684,925</u>
Change in net assets	3,385,983	10,409,685	13,795,668
Net assets:			
Beginning of year	<u>46,082,018</u>	<u>72,167,334</u>	<u>118,249,352</u>
End of year	<u>\$ 49,468,001</u>	<u>\$ 82,577,019</u>	<u>\$ 132,045,020</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, 2020

	Program Services			Support Services			Total Functional Expenses
	Sheltering and Adoption	Clinic	Total	Fundraising and Development	General and Administrative	Total	
Total salaries and related expenses	\$ 4,211,705	\$ 1,126,536	\$ 5,338,241	\$ 404,422	\$ 364,645	\$ 769,067	\$ 6,107,308
Advertising and marketing	48,945	-	48,945	90,614	-	90,614	139,559
Depreciation	557,279	199,716	756,995	9,313	29,691	39,004	795,999
Employee costs	73,521	24,090	97,611	4,550	17,100	21,650	119,261
Event expenses	14,495	768	15,263	6,194	4,797	10,991	26,254
Facility maintenance and repairs	291,636	10,636	302,272	-	-	-	302,272
Insurance	112,197	40,250	152,447	1,866	5,950	7,816	160,263
Office expenses and supplies	64,030	12,826	76,856	109,713	70,504	180,217	257,073
Outside contractors	186,237	167,820	354,057	35,441	108,368	143,809	497,866
Printing and promotion	7,385	1,162	8,547	83,749	1,436	85,185	93,732
Program supplies	1,109,519	296,427	1,405,946	5,176	962	6,138	1,412,084
Telephone and internet	35,975	9,979	45,954	5,076	4,120	9,196	55,150
Utilities	257,835	92,141	349,976	4,304	13,689	17,993	367,969
Occupancy costs	19,239	6,788	26,027	366	1,011	1,377	27,404
Vehicle maintenance	7,419	424	7,843	126	-	126	7,969
Total	\$ 6,997,417	\$ 1,989,563	\$ 8,986,980	\$ 760,910	\$ 622,273	\$ 1,383,183	\$ 10,370,163

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, 2020

Cash flows from operating activities:	
Increase in net assets	\$ 13,795,668
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	795,999
Changes in fair value of bequests, remainder trusts, and pledges	(9,596,857)
Investment income, net	(561,082)
Realized and unrealized gain on investments	(3,088,856)
Changes in assets and liabilities:	
Decreases (increases) in:	
Pledges receivable	2,319,525
Accounts receivable	23,894
Grant receivable	7,500
Bequest and remainder trust receivables	(56,424)
Inventory	(13,105)
Prepaid expenses	(52,161)
Increases (decreases) in:	
Accounts payable	258,245
Accrued expenses	(87,550)
Deferred revenue	41,695
Net cash provided by operating activities	<u>3,786,491</u>
Cash flows from investing activities:	
Proceeds from sales of investments	1,720,022
Purchases of investments	(1,864,285)
Principal collections on mortgage receivable	5,399
Purchases of property and equipment	(11,836,839)
Net cash used in investing activities	<u>(11,975,703)</u>
Cash flows from financing activities:	
Paycheck protection program loan proceeds	1,066,670
Net cash provided by financing activities	<u>1,066,670</u>
Net decrease in cash, cash equivalents and restricted cash	(7,122,542)
Cash, cash equivalents and restricted cash:	
Beginning of year	<u>12,259,068</u>
End of year	<u>\$ 5,136,526</u>

See accompanying 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 and adoption fees. The Organization also operates a boutique store.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles general accepted in the United States of America ("U.S. GAAP"), which requires the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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, where by 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.

Accounting 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.

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

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 at fair value, including unconditional promises to give when the promise is made. 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”.

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 was completed in March 2021.

Program Income

Program income is recognized as revenue when services are performed.

Fundraising

The Organization's financial statements are presented in accordance with 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 costs of direct benefit to donors.

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, 2020, there was \$1,075,340 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

Restricted cash consists of amounts not available for the Organization's operations. These are funds received from donors for the purpose of the Capital Campaign.

Note 2 – Summary of Significant Accounting Policies, continued

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, 2020, there was no allowance balance as the Organization estimated that the default risk associated with its accounts receivable was minimal.

Investments

The Organization reports investments at fair value. Net investment return consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Net investment return is reported in the statement of activities as a change in net assets without donor restrictions unless the use of the income is limited by donor-imposed restrictions.

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.

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, 2020. Amortization of the discount is recorded as additional contribution revenue.

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.

Note 2 – Summary of Significant Accounting Policies, continued

Valuation of Investments at Fair Value, continued

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.

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.

Note 2 – Summary of Significant Accounting Policies, continued

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.

Advertising

The Organization expenses advertising costs as incurred. During the year ended December 31, 2020, the Organization incurred total advertising and marketing expenses of \$200,425, inclusive of \$60,866, which is classified within mail appeal, net.

Paycheck Protection Program

The Organization records Paycheck Protection Program ("PPP") loan proceeds in accordance with FASB ASC 470, *Debt*. Debt is extinguished when either the debtor pays the creditor or the debtor is legally released from being the primary obligor, either judicially or by the creditor.

Accounting Pronouncements Adopted

The Organization has adopted FASB issued Accounting Standards Update ("ASU") No. 2018-08 – Not-for-Profit Entities (Topic 958), *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. ASU No. 2018-08 should assist entities in (i) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as exchange (reciprocal) transactions subject to other guidance and (ii) determining whether a contribution is conditional. The provisions have been applied for the year ended December 31, 2020.

The Organization has adopted FASB issued ASU No. 2020-07, Not-for-Profit Entities (Topic 958), *Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets*. The new standard requires not-for-profit entities to (i) present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and (ii) disclose contributed nonfinancial assets. The new standard is effective for fiscal years beginning after June 15, 2021, with early adoption permitted. The provisions have been applied for the year ended December 31, 2020.

Note 2 – Summary of Significant Accounting Policies, continued

Recent Accounting Pronouncement

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (“ROU”) model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization has not entered into any leasing arrangements where they are the lessor. The new standard is effective for fiscal years beginning after December 15, 2021. The Organization is currently evaluating the impact the implementation of ASU No. 2016-02 will have on the financial statements.

Date of Management's Review

Management has evaluated subsequent events through April 6, 2021, 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 times, may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation (“FDIC”) up to \$250,000. At December 31, 2020, the Organization had \$3,709,541 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, 2020, amounts in excess of SIPC insured limits, including cash equivalents, were \$33,252,838. 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, 2020 are composed of the following:

Financial assets at December 31, 2020:

Cash and cash equivalents	\$ 5,136,526
Accounts receivable	97,112
Pledges receivable	3,300,191
Grant receivable	42,500
Mortgage receivable	107,863
Investments	32,677,498
Endowment receivable	3,988,279
Investments - endowment fund	106,996
Bequest and remainder trust receivables	60,372,933
Total financial assets	<u>105,829,898</u>

Less: financial assets unavailable for general expenditure within one year due to:

Restricted by donors with purpose restrictions	\$ (17,554,298)
Restricted by donors in perpetuity	(3,988,279)
Bequest and remainder trust receivables due in more than one year	(57,708,409)
Pledges receivable due in more than one year	(182,412)
Investments - endowment fund	(92,673)
Mortgage receivable due in more than one year	(102,915)
Total financial assets unavailable for general expenditure	<u>(79,628,986)</u>

Total financial assets available for general expenditure within one year \$ 26,200,912

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, 2020, the Organization recognized \$8,881 in interest income.

Note 5 – Mortgage Receivable, continued

The following is a schedule of future minimum mortgage principal collections at December 31, 2020:

<u>Years Ending December 31,</u>	
2021	\$ 4,948
2022	5,827
2023	6,310
2024	6,834
2025	7,401
Thereafter	76,543
	<u>\$ 107,863</u>

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:

<u>Years Ending December 31,</u>	
2021	\$ 2,499,564
2022	747,192
2023	181,599
2024	1,000
	<u>3,429,355</u>
Discount, at 3%	(129,164)
Pledges receivable, net	<u>\$ 3,300,191</u>

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, 2020. Approximately 23% of total undiscounted pledges receivable, or \$793,000, represents pledges due from board members.

Grant Receivable

During the year ended December 31, 2020, the Organization received grant awards from various grantors in the total amount of \$552,270. Based on the active grant agreements from 2020 and earlier years, the cumulative total of future grant payments to be received at December 31, 2020 is \$42,500.

Note 6 – Contributions Receivable, continued

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 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 \$3,988,279 in the statement of financial position at December 31, 2020.

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 an additional 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 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, the Organization will receive 20% of the annual distribution.

The Organization 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.

During 2020, the Organization became a 50% beneficiary of an additional 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 \$60,372,933 at December 31, 2020. 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. Contributions made directly to the Fund from 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 contributions of \$75,000 are not available for distribution and may not be withdrawn from the Fund.

Note 7 – Investments – Endowment Fund, continued

The changes in the Organization's endowment net assets were as follows for the year ended December 31, 2020:

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 11,360	\$ 85,967	\$ 97,327
Net appreciation, unrealized	2,963	6,706	9,669
Endowment net assets, end of year	<u>\$ 14,323</u>	<u>\$ 92,673</u>	<u>\$ 106,996</u>

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, 2020 are summarized as follows:

	Fair Value Measurement at December 31, 2020			
	Total	Quoted Prices for Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 19,717,721	\$ 19,717,721	\$ -	\$ -
Fixed income funds	8,955,937	8,955,937	-	-
Mutual funds specific strategy	3,634,510	3,634,510	-	-
Other	369,330	369,330	-	-
	<u>\$ 32,677,498</u>	<u>\$ 32,677,498</u>	<u>\$ -</u>	<u>\$ -</u>

Note 9 – Property and Equipment

Property and equipment at December 31, 2020 consisted of the following:

Land	\$ 2,478,839
Buildings and domes	16,271,700
Land and building improvements	2,604,193
Furniture and equipment	1,624,533
Computers and related equipment	246,211
Vehicles	334,685
	<u>23,560,161</u>
Less: accumulated depreciation	<u>(11,344,723)</u>
	12,215,438
Construction in process	16,040,094
Property and equipment, net	<u>\$ 28,255,532</u>

Depreciation expense was \$795,999 for the year ended December 31, 2020.

Note 10 – Commitments and Contingencies

Litigation

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 10 – Commitments and Contingencies, continued

Risks and Uncertainties

In March 2020, the World Health Foundation (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, 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 2021.

Note 11 – Debt

Paycheck Protection Program Loan

During April 2020, the Organization was granted a loan (the “Loan”) from a financial institution for the aggregate amount of \$1,066,670 pursuant to the PPP under Division A, Title I of the CARES Act. The Loan, which was in the form of a note dated April 16, 2020, matures on April 16, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing September 2021. 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 after February 15, 2020. 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. The Organization has satisfied the application requirements for loan forgiveness at December 31, 2020.

The future maturities on notes payable consist of the following:

<u>Years Ending December 31,</u>	
2021	\$ 177,778
2022	888,892
	<u>\$ 1,066,670</u>

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. There were no amounts due on the line of credit at December 31, 2020.

Note 12 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2020 are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Capital Campaign - cash and cash equivalents	\$ 391,019
Capital Campaign - pledges receivable	2,788,815
Unsatisfied grant purpose restrictions	329,876
Unsatisfied restricted purpose donations	106,000
Pledge receivable (Napleton Pledge)	25,353
Endowment receivable	3,988,279
Total subject to expenditure for specified purpose	<u>7,629,342</u>
Subject to the passage of time:	
Pledges receivable not restricted by donors, unavailable for expenditure until due	460,975
Capital Campaign expenditures not yet placed in service	13,913,233
Bequest and charitable remainder trust receivables	60,372,933
Mortgage receivable	107,863
Investments - endowment fund	17,673
Total subject to the passage of time	<u>74,872,677</u>
Held in perpetuity:	
Investments - endowment fund	75,000
Total held in perpetuity	<u>75,000</u>
Total net assets with donor restrictions	<u>\$ 82,577,019</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	\$ 3,489,840
Satisfaction of purpose restrictions	446,404
Total net assets released from restrictions	<u>\$ 3,936,244</u>

Note 13 – Net Assets without Donor Restrictions

Net assets without donor restrictions are composed of the following at December 31, 2020:

Property and equipment, net	\$	28,255,532
Undesignated		21,212,469
Total net assets without donor restrictions	\$	<u>49,468,001</u>

Note 14 – Cash, Cash Equivalents and Restricted Cash

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the amounts shown in the statement of cash flows at December 31, 2020:

Cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$	4,745,507
Restricted cash - Capital Campaign		391,019
Total cash, cash equivalents and restricted cash	\$	<u>5,136,526</u>

Note 15 – Contributed Nonfinancial Assets

For the year ended December 31 2020, contributed nonfinancial assets recognized within the statement of activities included:

Animal food	\$	195,123
Services		6,537
Total contributed nonfinancial assets	\$	<u>201,660</u>

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

Contributed animal food was utilized in the animal shelter and the food pantry. Contributed services was for maintenance of the shelter generators. 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.

Note 16 – Related Party Transactions

The Organization received approximately \$684,000 of contributions from members of the Board of Directors and foundations related to the Board of Directors during the year ended December 31, 2020.