



DASZKALBOLTON
accountants & advisors

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

Financial Statements

December 31, 2021

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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

Opinion

We have audited the accompanying 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 at December 31, 2021, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization at December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 generally accepted auditing standards will always detect a material misstatement when it exists.

Continued from previous page

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 generally accepted auditing standards, 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.

Coastal Capital LLP

Jupiter, Florida

April 14, 2022

Peggy Adams Animal Rescue League of the Palm Beaches, Inc.
Statement of Financial Position
December 31, 2021

ASSETS

Cash and cash equivalents	\$	7,365,681
Accounts receivable		51,528
Pledges receivable, net		907,471
Grant receivable		200,000
Inventory		57,179
Prepaid expenses		258,083
Mortgage receivable		100,032
Endowment receivable		3,942,573
Bequest and remainder trust receivables		64,528,379
Investments		35,990,972
Investments - endowment funds		356,772
Property and equipment, net		<u>30,169,679</u>
Total assets	\$	<u>143,928,349</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$	475,260
Accrued expenses		282,882
Line of credit		600,000
Deferred income		<u>49,342</u>
Total liabilities		<u>1,407,484</u>
Net assets:		
Without donor restrictions		72,747,592
With donor restrictions		<u>69,773,273</u>
Total net assets		<u>142,520,865</u>
Total liabilities and net assets	\$	<u>143,928,349</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, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and other support:			
Contributions and gifts	\$ 4,030,374	\$ 1,428,707	\$ 5,459,081
Donated goods and services	835,029	-	835,029
Mail appeal, net	461,434	-	461,434
Boutique, net	51,979	-	51,979
Special events:			
Gross proceeds from special events	1,195,522	-	1,195,522
Less direct benefit costs	(210,171)	-	(210,171)
Net proceeds from special events	985,351	-	985,351
Program income:			
Sheltering and adoption	581,531	-	581,531
Clinic	1,001,408	-	1,001,408
Investment income, net	820,124	-	820,124
Assets released from restrictions	21,266,797	(21,266,797)	-
Total revenues and other support	<u>30,034,027</u>	<u>(19,838,090)</u>	<u>10,195,937</u>
Expenses:			
Program services:			
Sheltering and adoption	8,030,444	-	8,030,444
Clinic	1,965,363	-	1,965,363
	<u>9,995,807</u>	<u>-</u>	<u>9,995,807</u>
Support services:			
Fundraising and development	811,763	-	811,763
General and administrative	622,137	-	622,137
	<u>1,433,900</u>	<u>-</u>	<u>1,433,900</u>
Total expenses	<u>11,429,707</u>	<u>-</u>	<u>11,429,707</u>
Change in net assets before other income	<u>18,604,320</u>	<u>(19,838,090)</u>	<u>(1,233,770)</u>
Other income (expense):			
Loss on sale of property and equipment	(48,738)	-	(48,738)
Interest expense	(12,137)	-	(12,137)
Interest income	5,566	-	5,566
Mortgage interest income	8,469	-	8,469
Realized and unrealized gain on investments	2,655,441	-	2,655,441
PPP loan forgiveness	2,066,670	-	2,066,670
Change in fair value of restricted net assets	-	7,034,344	7,034,344
Total other income	<u>4,675,271</u>	<u>7,034,344</u>	<u>11,709,615</u>
Change in net assets	23,279,591	(12,803,746)	10,475,845
Net assets:			
Beginning of year	<u>49,468,001</u>	<u>82,577,019</u>	<u>132,045,020</u>
End of year	<u>\$ 72,747,592</u>	<u>\$ 69,773,273</u>	<u>\$ 142,520,865</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, 2021

	Program Services			Support Services			Total Functional Expenses
	Sheltering and Adoption	Clinic	Total	Fundraising and Development	General and Administrative	Total	
Total salaries and related expenses	\$ 4,539,746	\$ 907,195	\$ 5,446,941	\$ 428,458	\$ 360,900	\$ 789,358	\$ 6,236,299
Advertising and marketing	158,422	1,978	160,400	87,307	-	87,307	247,707
Depreciation	962,718	343,749	1,306,467	16,030	43,795	59,825	1,366,292
Employee costs	74,069	28,277	102,346	3,865	6,436	10,301	112,647
Event expenses	9,820	140	9,960	25,025	1,947	26,972	36,932
Facility maintenance and repairs	200,273	157	200,430	-	-	-	200,430
Insurance	152,120	54,523	206,643	2,538	8,096	10,634	217,277
Office expenses and supplies	76,184	15,175	91,359	94,060	86,420	180,480	271,839
Outside contractors	145,881	185,316	331,197	54,300	87,274	141,574	472,771
Printing and promotion	5,931	1,987	7,918	87,794	1,152	88,946	96,864
Program supplies	1,215,843	278,265	1,494,108	1,456	1,942	3,398	1,497,506
Telephone and internet	36,787	10,767	47,554	4,404	3,684	8,088	55,642
Utilities	361,964	129,721	491,685	6,048	19,282	25,330	517,015
Occupancy costs	83,871	7,676	91,547	358	1,141	1,499	93,046
Vehicle maintenance	6,815	437	7,252	120	68	188	7,440
Total	\$ 8,030,444	\$ 1,965,363	\$ 9,995,807	\$ 811,763	\$ 622,137	\$ 1,433,900	\$ 11,429,707

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, 2021

Cash flows from operating activities:	
Increase in net assets	\$ 10,475,845
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	1,366,292
Changes in fair value of bequests, remainder trusts, and pledges	(7,034,344)
Investment income, net	(820,124)
Realized and unrealized gain on investments	(2,655,441)
Gain on extinguishment of debt	(2,066,670)
Change in fair value of community endowment funds	(221,000)
Changes in assets and liabilities:	
Decreases (increases) in:	
Pledges receivable	2,486,964
Accounts receivable	45,584
Grant receivable	(157,500)
Bequest and remainder trust receivables	2,830,361
Inventory	22,225
Prepaid expenses	(146,803)
Increases (decreases) in:	
Accounts payable	(418,919)
Accrued expenses	67,565
Deferred revenue	(5,586)
Net cash provided by operating activities	<u>3,768,449</u>
Cash flows from investing activities:	
Proceeds from sales of investments	2,214,528
Purchases of investments	(2,081,214)
Principal collections on mortgage receivable	7,831
Purchases of property and equipment	(3,280,439)
Net cash used in investing activities	<u>(3,139,294)</u>
Cash flows from financing activities:	
Paycheck protection program loan proceeds	1,000,000
Proceeds from line of credit	2,100,000
Payments on line of credit	(1,500,000)
Net cash provided by financing activities	<u>1,600,000</u>
Net increase in cash and cash equivalents	2,229,155
Cash and cash equivalents:	
Beginning of year	<u>5,136,526</u>
End of year	<u>\$ 7,365,681</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, 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 (2) classes of net assets based on the existence or absence of donor-imposed restrictions. The two (2) 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 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, 2021, there was \$1,056,786 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.

Note 2 – Summary of Significant Accounting Policies, continued

Accounts Receivable

Accounts receivables 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 determine from experience. Management determined that no allowance for doubtful accounts was considered necessary as of December 31, 2021.

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, 2021. 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, 2021.

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.

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.

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.

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.

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.

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 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”.

Reciprocal transfers in which each party receives and sacrifices goods or services with approximate commensurate value are recognized as exchange transactions. The Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) *Topic 606, Revenue from Contracts with Customers* (“Topic 606”) on January 1, 2019 using the modified retrospective method applied to all contracts not completed as of the date of the adoption. 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.

Note 2 – Summary of Significant Accounting Policies, continued

Revenue Recognition - Exchange Transactions, continued

The modified retrospective adoption method requires the Organization to record a transition adjustment for the new revenue standard, if any, as a cumulative effect adjustment to beginning net assets as of the date of adoption. No adjustments to the Organization's beginning net assets was required as a result of adopting Topic 606.

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

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 fundraising campaigns that do not meet the criteria for financial statement recognition.

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.

Advertising

The Organization expenses advertising costs as incurred. During the year ended December 31, 2021, the Organization incurred total advertising and marketing expenses of \$311,282, inclusive of \$63,575, which is classified within mail appeal, net.

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 (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.

Functional Expenses

Functional expenses are those expenses incurred by the Organization in the accomplishment of their mission. The statement of functional expenses present expenses by function and natural classification. 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, supplies, and utilities and other accounts as appropriate. These expenses are allocated based on management's estimate of their proportionate share of total expenses.

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, 2021.

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 non-interest expense, respectively. No uncertain tax positions were identified by the Organization at December 31, 2021.

The U.S. federal jurisdiction is the major tax jurisdictions where the Organization files income tax returns. The Organization is generally no longer subject to U.S. Federal or State examinations by tax authorities for fiscal years before 2018.

Note 2 – Summary of Significant Accounting Policies, continued

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.

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 14, 2022, 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, 2021, the Organization had \$5,835,710 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, 2021, amounts in excess of SIPC insured limits, including cash equivalents, were \$36,547,758. The Organization has not experienced losses of this nature in any of its depository accounts.

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, 2021 are composed of the following:

Financial assets at December 31, 2021:

Cash and cash equivalents	\$ 7,365,681
Accounts receivable	51,528
Pledges receivable	907,471
Grant receivable	200,000
Mortgage receivable	100,032
Investments	35,990,972
Endowment receivable	3,942,573
Investments - endowment funds	356,772
Bequest and remainder trust receivables	64,528,379
Total financial assets	<u>113,443,408</u>

Less: financial assets unavailable for general expenditure within one (1) year due to:

Restricted by donors with purpose restrictions	\$ (614,025)
Restricted by donors in perpetuity	(3,942,573)
Bequest and remainder trust receivables due in more than one year	(61,663,018)
Pledges receivable due in more than one year	(236,281)
Investments - endowment funds	(339,170)
Mortgage receivable due in more than one year	(93,966)
Total financial assets unavailable for general expenditure	<u>(66,889,033)</u>

Total financial assets available for general expenditure within one year \$ 46,554,375

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, 2021, the Organization recognized \$8,469 in interest income.

Note 5 – Mortgage Receivable, continued

The following is a schedule of future minimum mortgage principal collections at December 31, 2021:

<u>Years Ending December 31,</u>	
2022	\$ 6,066
2023	6,569
2024	7,115
2025	7,705
2026	8,345
Thereafter	64,232
	<u>\$ 100,032</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>	
2022	\$ 706,111
2023	144,728
2024	85,553
2025	6,000
	<u>942,392</u>
Discount, at 3%	(34,921)
Pledges receivable, net	<u>\$ 907,471</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, 2021. Approximately 53% of total undiscounted pledges receivable, or \$472,000, represents pledges due from board members.

Grant Receivable

During the year ended December 31, 2021, the Organization received grant awards from various grantors in the total amount of \$697,500. Based on the active grant agreements from 2021, the cumulative total of future grant payments to be received at December 31, 2021 is \$200,000.

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 \$3,942,573 in the statement of financial position at December 31, 2021.

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 is to 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.

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 \$64,528,379 at December 31, 2021. 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 Funds

The Organization has established two (2) 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 Organization's initial contributions of \$296,000 are not available for distribution and may not be withdrawn from the Fund.

Note 7 – Investments – Endowment Funds, continued

The changes in the Organization's endowment net assets were as follows for the year ended December 31, 2021:

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 14,323	\$ 92,673	\$ 106,996
Contributions	-	221,000	221,000
Net appreciation, unrealized	<u>3,279</u>	<u>25,497</u>	<u>28,776</u>
Endowment net assets, end of year	<u>\$ 17,602</u>	<u>\$ 339,170</u>	<u>\$ 356,772</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, 2021 are summarized as follows:

Fair Value Measurement at December 31, 2021				
	Total	Quoted Prices for Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities	\$ 21,529,024	\$ 21,529,024	\$ -	\$ -
Fixed income funds	10,155,472	10,155,472	-	-
Mutual funds specific strategy	3,968,125	3,968,125	-	-
Other	338,351	338,351	-	-
	<u>\$ 35,990,972</u>	<u>\$ 35,990,972</u>	<u>\$ -</u>	<u>\$ -</u>

Investment Expenses

External and direct internal expenses relating to investment revenues amounted to \$138,891 and have been netted against investment revenues in the accompanying Statement of Activities.

Note 9 – Property and Equipment

Property and equipment at December 31, 2021 consisted of the following:

Land	\$ 2,497,077
Buildings and domes	32,701,683
Land and building improvements	3,391,798
Furniture and equipment	2,654,238
Computers and related equipment	405,782
Vehicles	334,685
	<u>41,985,263</u>
Less: accumulated depreciation	<u>(12,711,015)</u>
	29,274,248
Construction in process	895,431
Property and equipment, net	<u>\$ 30,169,679</u>

Depreciation expense was \$1,366,292 for the year ended December 31, 2021.

Note 10 – 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 11 – Debt

Paycheck Protection Program Loan

During April 2020, the Organization was granted a loan (the "Loan") pursuant to the PPP under Division A, Title I of the CARES Act in the amount of \$1,066,670. The Loan, which was in the form of a note dated April 16, 2020, was set to mature on April 16, 2022 and bore interest at a rate of 1.00% per annum.

During April 2021, the Organization was granted a loan (the "Second Loan") pursuant to the PPP under Division A, Title I of the CARES Act in amount of \$1,000,000. The Second Loan, which was in the form of a note dated April 28, 2021, was set to mature on April 28, 2026 and bore interest at a rate of 1.00% per annum.

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 and meet the conditions established by the U.S. Small Business Administration (the "SBA"). The Company used the loans for qualifying costs and received loan forgiveness in the amount of \$2,066,670 from the SBA during 2021.

Line of Credit

On August 23, 2019, the Organization entered 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 \$600,000 due on the line of credit at December 31, 2021.

Note 12 – Net Assets without Donor Restrictions

Net assets without donor restrictions are composed of the following at December 31, 2021:

Property and equipment, net	\$	30,169,679
Undesignated		42,577,913
Total net assets without donor restrictions	\$	<u>72,747,592</u>

Note 13 – Net Assets with Donor Restrictions

Net assets with donor restrictions at December 31, 2021 are restricted for the following purposes:

Subject to expenditure for specified purpose:	
Unsatisfied grant purpose restrictions	602,500
Pledge receivable (Napleton Pledge)	11,525
Endowment receivable	3,942,573
Total subject to expenditure for specified purpose	<u>4,556,598</u>
Subject to the passage of time:	
Pledges receivable not restricted by donors, unavailable for expenditure until due	249,094
Bequest and charitable remainder trust receivables	64,528,379
Mortgage receivable	100,032
Investments - endowment funds	43,170
Total subject to the passage of time	<u>64,920,675</u>
Held in perpetuity:	
Investments - endowment funds	296,000
Total held in perpetuity	<u>296,000</u>
Total net assets with donor restrictions	<u>\$ 69,773,273</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	\$ 3,093,836
Satisfaction of purpose restrictions	525,314
Satisfaction of Capital Campaign restrictions	17,647,647
Total net assets released from restrictions	<u>\$ 21,266,797</u>

Note 14 – Contributed Nonfinancial Assets

For the year ended December 31, 2021, contributed nonfinancial assets recognized within the statement of activities included:

Animal food	\$	210,087
Services		6,537
Medical supplies		18,405
Property		600,000
Total contributed nonfinancial assets	\$	<u>835,029</u>

The Organization recognized contributed nonfinancial assets within revenue, including contributed animal food, services 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. 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.

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 \$1,212,870 of contributions from members of the Board of Directors and foundations related to the Board of Directors during the year ended December 31, 2021.