ARIZONA ANIMAL WELFARE LEAGUE

FINANCIAL STATEMENTS

Years Ended December 31, 2023 and 2022

ARIZONA ANIMAL WELFARE LEAGUE

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CBIZ CPAs

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

ARIZONA ANIMAL WELFARE LEAGUE

Opinion

We have audited the financial statements of ***Arizona Animal Welfare League*** (the "Organization"), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' 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 for one year after the date that the financial statements are available to be issued.

4722 N. 24th St., Suite 300
Phoenix, AZ 85016

Phone: 602.264.6835
Fax: 602.265.7631
cbizcpas.com

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[1] In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CBIZ CPAs P.C.[1]

November 6, 2024

[1] *In certain jurisdictions, CBIZ CPAs P.C. operates under its previous name, Mayer Hoffman McCann P.C.*

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENTS OF FINANCIAL POSITION

December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 2,645,696	$ 2,436,903
Bequests receivable	1,156,047	578,919
Pledges receivable	272,044	143,679
Accounts receivable	8,198	5,870
Inventories	148,225	101,252
Prepaid expenses and other current assets	98,257	91,121
TOTAL CURRENT ASSETS	4,328,467	3,357,744
PLEDGES RECEIVABLE, net of current portion	50,000	-
PROPERTY AND EQUIPMENT, net	5,558,747	5,584,194
OPERATING LEASE RIGHT-OF-USE ASSET	221,929	335,218
INVESTMENTS	7,025,445	5,462,459
ASSETS HELD BY OTHERS FOR BOARD DESIGNATED - QUASI ENDOWMENT	266,622	241,291
BENEFICIAL INTERESTS IN PERPETUAL TRUSTS	4,273,000	3,807,000
TOTAL ASSETS	$ 21,724,210	$ 18,787,906

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 42,571	$ 62,969
Accrued liabilities	155,578	192,518
Deferred revenue	-	29,226
Current portion of operating lease liability	116,882	141,021
Current portion of finance lease liability	11,498	-
TOTAL CURRENT LIABILITIES	326,529	425,734
OPERATING LEASE LIABILITY, net of current portion	107,364	194,136
FINANCE LEASE LIABILITY, net of current portion	40,316	-
TOTAL LIABILITIES	474,209	619,870
NET ASSETS		
Without donor restrictions		
Board designated	266,622	241,291
Undesignated	14,892,026	13,853,445
Total net assets without donor restrictions	15,158,648	14,094,736
With donor restrictions	6,091,353	4,073,300
TOTAL NET ASSETS	21,250,001	18,168,036
TOTAL LIABILITIES AND NET ASSETS	$ 21,724,210	$ 18,787,906

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2023
SUPPORT AND REVENUES			
Contributions	$ 2,903,155	$ 41,706	$ 2,944,861
Bequests	1,762,067	1,661,079	3,423,146
Donated materials and services	216,851	-	216,851
Clinic operations	307,083	-	307,083
Adoption fees	816,712	-	816,712
Education	1,545	-	1,545
Investment income	574,916	24,198	599,114
Income from beneficial interests in perpetual trusts	164,853	-	164,853
Change in value of beneficial interests in perpetual trusts	-	466,000	466,000
Other	59,907	-	59,907
Total support and revenues before special events revenue, retail store sales and net assets released from restrictions	6,807,089	2,192,983	9,000,072
Special events revenues	225,141	-	225,141
Less direct donor benefit	(57,189)	-	(57,189)
Gross profit on special events	167,952	-	167,952
Retail store sales	172,054	-	172,054
Less related costs of sales	(73,323)	-	(73,323)
Gross profit on retail store sales	98,731	-	98,731
Net assets released from restrictions	174,930	(174,930)	-
TOTAL SUPPORT AND REVENUES	7,248,702	2,018,053	9,266,755
EXPENSES			
Program services			
Adoptions	2,016,588	-	2,016,588
Medical (Shelter) Phoenix	2,489,166	-	2,489,166
Community Engagement	276,350	-	276,350
Medical (Public)	559,352	-	559,352
Total program services	5,341,456	-	5,341,456
Supporting services			
Management and general	409,544	-	409,544
Fundraising and development	433,790	-	433,790
Total supporting services	843,334	-	843,334
TOTAL EXPENSES	6,184,790	-	6,184,790
CHANGE IN NET ASSETS	1,063,912	2,018,053	3,081,965
NET ASSETS, BEGINNING OF YEAR	14,094,736	4,073,300	18,168,036
NET ASSETS, END OF YEAR	$ 15,158,648	$ 6,091,353	$ 21,250,001

See Notes to Financial Statements

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	2022
SUPPORT AND REVENUES			
Contributions	$ 2,144,497	$ 392,044	$ 2,536,541
Bequests	912,213	-	912,213
Donated materials and services	197,087	-	197,087
Clinic operations	318,071	-	318,071
Adoption fees	981,087	-	981,087
Education	1,790	-	1,790
Special events revenues	285,610	-	285,610
Investment income (loss)	(776,339)	-	(776,339)
Income from beneficial interests in perpetual trusts	208,248	-	208,248
Change in value of beneficial interests in perpetual trusts	-	(1,045,000)	(1,045,000)
Other	25,733	-	25,733
Total support and revenues before retail store sales and net assets released from restrictions	4,297,997	(652,956)	3,645,041
Retail store sales	154,512	-	154,512
Less related costs of sales	(72,086)	-	(72,086)
Gross profit on retail store sales	82,426	-	82,426
Net assets released from restrictions	415,946	(415,946)	-
TOTAL SUPPORT AND REVENUES	4,796,369	(1,068,902)	3,727,467
EXPENSES			
Program services			
Adoptions	493,948	-	493,948
Medical (Shelter) Phoenix	3,701,732	-	3,701,732
Community Engagement	242,802	-	242,802
Medical (Public)	610,646	-	610,646
Total program services	5,049,128	-	5,049,128
Supporting services			
Management and general	301,944	-	301,944
Fundraising and development	742,374	-	742,374
Total supporting services	1,044,318	-	1,044,318
TOTAL EXPENSES	6,093,446	-	6,093,446
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	(2,240)	-	(2,240)
CHANGE IN NET ASSETS	(1,299,317)	(1,068,902)	(2,368,219)
NET ASSETS, BEGINNING OF YEAR	15,394,053	5,142,202	20,536,255
NET ASSETS, END OF YEAR	$ 14,094,736	$ 4,073,300	$ 18,168,036

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2023

	Program Services					Supporting Services			
	Adoptions	Medical (Shelter) Phoenix	Community Engagement	Medical (Public)	Program Total	Management and General	Fundraising and Development	Support Total	Total
Salaries	$ 1,514,830	$ 937,056	$ 211,104	$ 185,407	$ 2,848,397	$ 267,985	$ 193,890	$ 461,875	$ 3,310,272
Employee insurance and benefits	102,079	79,945	15,192	14,485	211,701	17,074	14,672	31,746	243,447
Supplies/medical expenses	113,826	946,707	26,897	320,476	1,407,906	624	695	1,319	1,409,225
Occupancy	115,729	323,652	240	2,407	442,028	14,097	7,610	21,707	463,735
Travel and related expenses	35,078	12,510	8,288	565	56,441	16	1,078	1,094	57,535
Office supplies and small equipment	10,673	30,245	1,360	617	42,895	2,295	8,502	10,797	53,692
Outside services	32,929	59,625	1,177	10,920	104,651	75,438	186,208	261,646	366,297
Depreciation	91,444	99,426	12,092	24,475	227,437	32,015	21,135	53,150	280,587
Total expenses	2,016,588	2,489,166	276,350	559,352	5,341,456	409,544	433,790	843,334	6,184,790
Special events direct donor benefits	-	-	-	-	-	-	57,189	57,189	57,189
Retail store costs of sales	46,469	26,854	-	-	73,323	-	-	-	73,323
Total functional expenses	$ 2,063,057	$ 2,516,020	$ 276,350	$ 559,352	$ 5,414,779	$ 409,544	$ 490,979	$ 900,523	$ 6,315,302

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2022

	Program Services					Supporting Services			
	Adoptions	Medical (Shelter) Phoenix	Community Engagement	Medical (Public)	Program Total	Management and General	Fundraising and Development	Support Total	Total
Salaries	$ 299,916	$ 1,719,154	$ 180,433	$ 212,408	$ 2,411,911	$ 207,819	$ 315,961	$ 523,780	$ 2,935,691
Employee insurance and benefits	6,264	139,606	18,342	21,960	186,172	15,705	18,464	34,169	220,341
Supplies/medical expenses	16,094	1,262,993	42,532	346,512	1,668,131	132	12,325	12,457	1,680,588
Occupancy	114,607	299,022	302	1,638	415,569	13,236	8,744	21,980	437,549
Travel and related expenses	7,732	51,159	125	976	59,992	-	2,050	2,050	62,042
Office supplies and small equipment	4,332	32,154	976	736	38,198	4,022	7,561	11,583	49,781
Outside services	17,372	14,713	92	8,809	40,986	50,479	362,102	412,581	453,567
Depreciation	27,631	182,931	-	17,607	228,169	10,551	15,167	25,718	253,887
Total expenses	493,948	3,701,732	242,802	610,646	5,049,128	301,944	742,374	1,044,318	6,093,446
Special events direct donor benefits	-	-	-	-	-	-	-	-	-
Retail store costs of sales	43,904	28,182	-	-	72,086	-	-	-	72,086
Total functional expenses	$ 537,852	$ 3,729,914	$ 242,802	$ 610,646	$ 5,121,214	$ 301,944	$ 742,374	$ 1,044,318	$ 6,165,532

ARIZONA ANIMAL WELFARE LEAGUE

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 3,081,965	$ (2,368,219)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	280,587	253,887
Loss on disposal of property and equipment	-	2,240
Realized and unrealized (gains) losses on investments	(270,603)	962,701
Change in value of beneficial interests in perpetual trusts	(466,000)	1,045,000
Contributions restricted for endowment	(490,000)	-
Contributions restricted for investment in long-lived assets	(869,606)	-
Non-cash lease expense	203,065	142,809
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Bequests receivable	(577,128)	(440,266)
Pledges receivable	(178,365)	(143,679)
Accounts receivable	(2,328)	(1,072)
Inventories	(46,973)	76,347
Prepaid expenses and other current assets	(7,136)	11,933
Increase (decrease) in:		
Accounts payable	(20,398)	25,008
Accrued liabilities	(36,940)	70,635
Deferred revenue	(29,226)	9,226
Operating lease liabilities	(200,687)	(142,870)
Net cash provided by (used in) operating activities	370,227	(496,320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	2,031,757	1,045,882
Purchases of investments	(3,349,471)	(1,479,577)
Purchases of property and equipment	(194,816)	(131,975)
Net cash used in investing activities	(1,512,530)	(565,670)
CASH FLOWS FROM FINANCING ACTIVITIES		
Collection of contributions restricted to investment in long-lived assets	869,606	10,000
Collection of contributions restricted to endowment	490,000	-
Principal portion of payments made on finance leases	(8,510)	-
Net cash provided by financing activities	1,351,096	10,000
NET CHANGE IN CASH AND CASH EQUIVALENTS	208,793	(1,051,990)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	2,436,903	3,488,893
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 2,645,696	$ 2,436,903
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Cash paid for interest	$ 1,352	$ -
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Right of use assets acquired through financing leases	$ 60,324	$ -
Right of use assets acquired through operating leases upon adoption of Topic 842	$ -	$ 372,113
Right of use assets acquired through operating leases	$ 89,776	$ -

See Notes to Financial Statements

(1) Nature of operations and summary of significant accounting policies

Arizona Animal Welfare League (the "Organization") was incorporated in the state of Arizona in August 1971 as a non-profit corporation. The Organization is the largest and oldest no-kill animal shelter for dogs and cats in Arizona. A "no-kill" shelter is an animal shelter that does not kill healthy or treatable animals even when the shelter is full, reserving euthanasia for terminally ill animals or those considered dangerous to public safety. The Organization rescues, rehabilitates and re-homes more than 4,000 dogs and cats that are abandoned or that have been surrendered by their owners. The Organization does this primarily by rescuing them from other shelters in Maricopa County and in underserved rural communities throughout the State, where they are likely to be euthanized due to the lack of time and resources to care for them. At any one time, the Organization's facilities will hold 140 cats and 190 dogs. The Organization also has a robust Volunteer program of approximately 450 volunteers who donate 60,000 volunteer hours annually along with a foster parent network of approximately 90 families. This group provides care and shelter in their homes for puppies and kittens that are too young to be adopted, and those animals that are recovering from medical procedures or that need socialization before adoption. All pets offered for adoption have been spayed or neutered; micro-chipped and are current on all vaccinations. Any medical treatments needed, including surgeries, are provided by the Organization's medical team and all animals are evaluated by the Organization's behavior department.

The Organization not only adopts companion animals into loving homes, but also holds a leadership position in the community in education and animal welfare issues. The Organization's other programs are designed to keep animals in their homes and out of the shelter system. These include dog obedience classes, seminars on dog behavior issues, youth programs, free behavior help for owned animals and a low-cost public clinic.

Over the past 50 years the Organization has grown from adopting a handful of animals each year to a full-service animal welfare organization and leader in innovative behavior training, medical care, adoption, education and community outreach programs. Today the Organization's shelter has an onsite veterinary clinic, kennels with a separate cattery, a training center and a freestanding infirmary.

The significant accounting policies followed by the Organization are summarized below:

The Financial Accounting Standards Board ("FASB") sets generally accepted accounting principles in the United States of America ("GAAP") to ensure consistent reporting. References to GAAP are to the FASB Accounting Standards Codification ("ASC").

Basis of presentation – The accompanying financial statements are presented in accordance with FASB ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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 and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

(1) Nature of operations and summary of significant accounting policies (continued)

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities and changes in net assets.

Management's use of 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 amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents consist of demand deposits, savings and money market accounts. The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents temporarily held in investment portfolios are included with investments. Cash deposits are insured in limited amounts by the Federal Deposit Insurance Corporation ("FDIC").

Bequests – Bequests are recognized as contribution revenue in the period the Organization receives notification the court has found the will of the donor's estate to be valid, the estate representative has provided information regarding the nature and value of estate assets and liabilities, and any conditions have been substantially met. Bequests receivable are stated at the net amount the Organization expects to receive, based upon the estimated fair value of the estate (net of potential fees and expenses) and the Organization's percentage interest as a beneficiary of the estate. At December 31, 2023 and 2022, bequests receivable are all due within one year. Management provides for probable uncollectible bequests receivable through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual bequests receivable, if necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to bequests receivable. Management considers bequests receivable at December 31, 2023 and 2022 to be collectible in full and, accordingly, an allowance for uncollectible bequests receivable is not considered necessary.

Contributions receivable – Unconditional promises to give (pledges) that are to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, unconditional promises to give are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the unconditional promise to give is based upon management's assessment of many factors, including when the contribution receivable is expected to be collected, the creditworthiness of the donors, the Organization's past collection experience and its policies concerning the enforcement of promises to give, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discounts, if any, is included in contributions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible promises to give based on its assessment of the current status of individual balances. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance for uncollectible contributions receivable and a credit to contributions receivable. Management considers contributions receivable to be collectible in full and, accordingly, an allowance for uncollectible contributions receivable is not considered necessary. At December 31, 2023, all pledges are due within one year, with the exception of one pledges for which payments of $25,000 are due in 2025 and 2026. The discount on long-term pledges was determined by management to be immaterial.

(1) Nature of operations and summary of significant accounting policies (continued)

Accounts receivable – Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to the allowance for uncollectible accounts receivables based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivables. Management considers accounts receivable to be fully collectible at December 31, 2023 and 2022 and, accordingly, an allowance for doubtful accounts has not been provided.

Inventories – Inventories consist of veterinary supplies and various pet supply items held for sale at the shelter gift shops and the mall adoption outlet. Inventory value is determined based on the lower of cost, as determined using the first-in, first-out ("FIFO") method, or net realizable value.

Investments and investment income – The Organization accounts for its investments in equity and debt securities at fair value. Investments are classified as noncurrent in the accompanying statements of financial position based on management's intent.

FASB ASC 958-605 requires that if a not-for-profit organization ("NPO") establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the NPO must record the fund as an asset and the community foundation must account for the fund as a liability. The Organization has such a fund with the Arizona Community Foundation, Inc. ("ACF"). The amounts held by ACF totaled $266,622 and $241,291 at December 31, 2023 and 2022, respectively, and are included in the accompanying statements of financial position as assets held by others for board designated-quasi endowment. The Organization's funds at ACF are pooled with other funds at ACF to be invested.

Investment income (loss), including realized and unrealized gains and losses, is reported as increases or decreases in net assets without donor restrictions, unless a donor restricts their use.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the inherent risks associated with investment securities, it is possible that at least in the near-term investment balances may differ materially from the amounts reported in the accompanying financial statements.

Fair value measurement – FASB ASC 820, *Fair Value Measurement,* establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States of America requiring use of fair value, establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. It also establishes a hierarchy for ranking the quality and reliability of the information used to determine fair values by requiring that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2: Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3: Unobservable inputs for the asset or liability.

(1) Nature of operations and summary of significant accounting policies (continued)

Property and equipment – Purchased property and equipment is stated at cost. Maintenance and repairs are charged to operations when incurred. All acquisitions of property and equipment and all costs for repairs and maintenance that materially prolong the useful life of assets in excess of $1,000 are capitalized. When property and equipment is sold or otherwise disposed of, the asset and related accumulated depreciation accounts are relieved, and any gain or loss is included in operations. Depreciation and amortization of property and equipment are computed on a straight-line basis over the following estimated useful lives:

Buildings and improvements	5 – 40 years
Equipment	3 – 20 years
Vehicles	3 – 7 years
Office and clinic	3 – 10 years

Donations of property are reported as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service or as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Impairment of long-lived assets – The Organization accounts for long-lived assets in accordance with the provisions of FASB ASC 360, *Property, Plant and Equipment*. FASB ASC 360 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. No impairment loss was recorded during the years ended December 31, 2023 and 2022.

Beneficial interests in perpetual trusts – The Organization is the income beneficiary of certain perpetual trusts. Under perpetual trust agreements, the Organization records the contribution with donor restrictions at the fair value of the Organization's beneficial interest in the trust assets. The trusts are held and controlled by third-party trustees. Income earned on the trust assets is recorded as income from beneficial interests in perpetual trusts without donor restrictions in the accompanying statements of activities and changes in net assets, unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as change in value of beneficial interests in perpetual trusts in the with donor restrictions net asset class.

The Organization is entitled to a specified percentage defined in each trust agreement which ranges from 1.5% to 33.25% of the annual income distributions from each of the trusts. The Organization will also be entitled to a specified percentage of the total amount of the corpus assets that will be distributed if the trusts are ever dissolved. The Organization estimated the fair value of its beneficial interest in perpetual trusts at December 31, 2023 and 2022 based upon the Organization's respective percentage interest in the fair value of the underlying assets held by the trusts.

(1) Nature of operations and summary of significant accounting policies (continued)

Contributions – The Organization evaluates grants and contributions for evidence of the transfer of commensurate value from the Organization to the grantor or resource provider. The transfer of commensurate value from the Organization to the grantor or resource provider may include instances when a) the goods or services provided by the Organization directly benefit the grantor or resource provider or are for the sole use of the grantor or resource provider or b) the grantor or resource provider obtains proprietary rights or other privileges from the goods or services provided by the Organization. When such factors exist, the Organization accounts for the grants or contributions as exchange transactions under ASC 606, *Revenue from Contracts with Customers*, or other appropriate guidance. In the absence of these factors, the Organization accounts for the award under the contribution accounting model.

In the absence of the transfer of commensurate value from the Organization to the resource provider, the Organization evaluates the contribution for criteria indicating the existence of measurable barriers to entitlement for the Organization or the right of return to the resource provider. A barrier to entitlement is subject to judgment and generally represents an unambiguous threshold for entitlement that provides clarity to both the Organization and resource provider whether the threshold has been met and when. These factors may include measurable performance thresholds or limited discretion on the part of the Organization to use the funds. Should the existence of a measurable barrier to entitlement exist and be accompanied by a right of return of the funds to the resource provider or release of the resource provider from the obligation, the contribution is treated as a conditional contribution. If both the barrier to entitlement and right of return do not exist, the contribution is unconditional.

The Organization recognizes amounts received from unconditional contributions at the time the Organization receives notification of the award. Contributions that include conditions imposed by the grantor or resource provider are recognized when those conditions are met by the Organization.

During the year ended December 31, 2023, the Organization did not have any conditional contributions, the conditions on which had not been fully met at December 31, 2023. During the year ended December 31, 2022, the Organization received a $60,000 conditional contribution, the conditions on which had not been fully met at December 31, 2022. Accordingly, $29,226 was included in deferred revenue in the accompanying statement of financial position at December 31, 2022. This amount was earned in 2023.

The Organization accounts for contributions in accordance with FASB ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. In accordance with FASB ASC 958-605, contributions received are recorded as contributions with donor restrictions or contributions without donor restrictions, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in net assets with donor restrictions on the statements of activities and changes in net assets depending on the nature of the restriction. All contributions are considered to be available for use unless specifically restricted by the donor. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and changes in net assets as net assets released from restrictions. Restricted support, where restrictions are met in the same period as the donation is made, is shown as additions to net assets without donor restrictions.

During the year ended December 31, 2023 and 2022, the Organization received approximately $76,800 and $70,400, respectively, in support from Board members.

(1) Nature of operations and summary of significant accounting policies (continued)

Donated materials and services – In September 2020, the FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires the entity to present contributed nonfinancial assets in a separate line item in the statement of activities and changes in net assets and disclose qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. Additionally, the entity must disclose a description of the valuation techniques and inputs used to arrive at a fair value measure at initial recognition. The Organization adopted ASU 2020-07 during the year ended December 31, 2022.

Donated materials and services are reflected at their estimated fair values at the date of receipt. Donated services are recognized as contributions in accordance with FASB ASC 958-605 if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased.

Donated materials and services are valued using estimated prices of identical or similar services in the local retail markets (Level 2). The Organization's general practice is to utilize donated items at the program level for which the items were intended to support. During the years ended December 31, 2023 and 2022, the Organization did not monetize any in-kind contributions and there were no donor restrictions on the donated materials and services.

During the year ended December 31, 2023, the Organization received the following donations of materials and services which are included in the statement of activities and changes in net assets and functional expenses as follows:

	Supplies/ Medical Expenses	Outside Services	Total
Medical (Shelter) Phoenix	$ 202,878	$ 13,973	$ 216,851

During the year ended December 31, 2022, the Organization received the following donations of materials and services which are included in the statements of activities and changes in net assets and functional expenses as follows:

	Supplies/ Medical Expenses	Outside Services	Total
Medical (Shelter) Phoenix	$ 194,747	$ 2,340	$ 197,087

Special events revenue – The Organization conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. Unless a verifiable, objective method exists to demonstrate otherwise, the fair value of meals and entertainment provided at special events is measured at the actual cost to the Organization. The direct costs of the special events which ultimately benefit the donor rather than the Organization are included in special events revenue and simultaneously recorded as costs of direct donor benefits. All proceeds received in excess of the direct costs are recorded as gross profit on special events in the accompanying statements of activities and changes in net assets.

Revenue from contracts with customers – Revenue from contracts with customers consists of adoption fees, clinic operations, education revenue, and retail store sales. Revenue is recognized when control of the promised goods or services is transferred to the Organization's customers at an amount that reflects the consideration the Organization expects to be entitled in exchange for those services.

(1) <u>Nature of operations and summary of significant accounting policies (continued)</u>

Adoption fees – The Organization charges a fee for the adoption of animals. The adoption fee may include additional goods or services available to the customer, however, the Organization determined that these additional goods and services do not represent a material right to the customer, and therefore there is one performance obligation within the contract. Amounts received for adoption fees are recorded as revenue at the time the animal is adopted. Payment is due at the time of adoption, therefore this transaction does not generally result in contract assets or liabilities.

Clinic operations – The Organization has an onsite low-cost clinic available to the public. Clinic fee revenue from contracts is primarily with private pay contracts and is generated through performance obligations satisfied at a point in time as services are rendered. Certain procedures require a deposit to be paid in advance. These deposits are recorded as deferred revenue until services are provided. Payment is generally due at the time the services are rendered and any outstanding balance is invoiced approximately monthly with balances due within 30 days of receipt of the invoice. Outstanding balances are classified as accounts receivable in the statements of financial position.

Education revenue – The Organization holds a variety of options for educating the public including youth programs as well as both private and group dog training. Amounts received for educational services are recorded as revenue at the time the educational course is conducted. Payment is generally due in advance of the event and is recorded as deferred revenue until such time that revenue is recognized. As of December 31, 2023 and 2022, there was no deferred revenue associated with these events.

Retail store sales – The Organization has a retail shop at its adoption locations for sales of products to customers. Amounts received for retail store sales are recorded as revenue at the point in time the goods are transferred to the customer. Payment is due at the time of the sale, therefore this transaction does not generally result in contract assets or liabilities. The Organization does not consider the right of return material to the contract.

All of the Organization's contracts with customers include a single performance obligation to transfer the promised good or service. The Organization does not have any significant financing components as payment is generally received in a customary time frame from the customers. The contracts do not contain material amounts of variable consideration. At contract inception, the Organization evaluates the probability of collecting the transaction price based on the history of payment by the customer.

Functional expenses – The costs of providing the Organization's various programs and other activities have been reported on a functional basis in the accompanying statements of activities and changes in net assets. The statement of functional expenses presents the natural classification detail of expense by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services based on personnel activity and other appropriate allocation methods. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization and are allocated based on personnel or other appropriate indicators. The expenses that are allocated include the following:

	Allocation Method
Salaries and employee insurance and benefits	Time incurred
Depreciation, occupancy, office supplies and small equipment	Purpose and utilization of space

(1) <u>Nature of operations and summary of significant accounting policies (continued)</u>

Advertising – Advertising costs, which are included in outside services in the accompanying statements of functional expenses, are expensed as incurred and totaled approximately $61,800 and $125,900 for the years ended December 31, 2023 and 2022, respectively.

Income tax status – The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, there is no provision for income taxes. In addition the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income ("UBTI") would be taxable. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. As of December 31, 2023 and 2022, management does not believe any uncertain tax positions exist.

The Organization files informational returns in the U.S. federal jurisdiction and certain state and local jurisdictions. As of December 31, 2023, U.S. federal informational returns for years ended prior to December 31, 2020 and state returns for years ended prior to December 31, 2019 are closed to assessment. Interest and penalties, if any, are accrued as a component of management and general expense when assessed.

Recent accounting pronouncements – In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 requires that a lease liability and related right-of-use-asset representing the lessee's right to use or control the asset be recorded on the statement of financial position upon the commencement of all leases except for short-term leases. Leases will be classified as either finance leases or operating leases, which are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in existing lease accounting guidance. As a result, the effect of leases in the statement of activities and changes in net assets and the statement of cash flows will be substantially unchanged from the existing lease accounting guidance.

The Organization adopted Topic 842 effective January 1, 2022 under the modified retrospective approach. The Organization adopted the package of practical expedients to (1) not reassess whether existing contracts contain leases, (2) carryforward the existing lease classification, and (3) not reassess initial direct costs associated with existing leases. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases. The Organization also elected to use the risk-free rate as a practical expedient for the determination of a discount rate for the right-of-use asset and corresponding lease liabilities.

As a lessee, the adoption of Topic 842 resulted in the recognition of a right-of-use ("ROU") asset and corresponding lease liabilities of approximately $372,000 as of January 1, 2022. See Note 9 for further information on the impact of Topic 842. The Organization did not have any leases classified as finance leases upon adoption. The adoption of Topic 842 did not have a material impact on the statement of activities and changes in net assets and the statement of cash flows for the year ended December 31, 2022.

Subsequent events – The Organization evaluated subsequent events through November 6, 2024, which is the date the financial statements were available to be issued.

(2) Investments

Investments consist of the following at December 31:

	2023	2022
Equity mutual funds	$ 2,345,011	$ 3,071,429
Exchange traded funds	325,455	528,194
Bond mutual funds	2,522,348	1,021,450
Marketable CDs	1,164,657	250,008
Money market funds	376,901	587,667
Cliffwater Corporate Lending Fund	291,073	-
Vida Longevity Fund, LP	-	3,711
Total investments	$ 7,025,445	$ 5,462,459

Investment income (loss) consists of the following for the years ended December 31:

	2023	2022
Interest income	$ 370,064	$ 227,332
Realized and unrealized gains (losses)	270,603	(962,701)
Investment fees	(41,553)	(40,970)
Total investment income (loss)	$ 599,114	$ (776,339)

(3) Property and equipment

Property and equipment consists of the following at December 31:

	2023	2022
Buildings and improvements	$ 6,975,922	$ 6,915,253
Land	753,046	753,046
Equipment	567,293	532,902
Vehicles	308,417	297,659
Office and clinic	170,496	98,800
Finance lease assets	60,323	-
Construction in progress	114,072	96,771
Total property and equipment	8,949,569	8,694,431
Less – accumulated depreciation	(3,390,822)	(3,110,237)
Property and equipment	$ 5,558,747	$ 5,584,194

Depreciation expense totaled $280,587 and $253,887 for the years ended December 31, 2023 and 2022, respectively.

(3) Property and equipment (continued)

During 2023, the Organization entered into a finance lease for certain equipment with a total value of $60,324 at December 31, 2023. The lease expires in April 2028. The asset and liability under the finance lease is recorded at the estimated fair value of the leased equipment. The asset is amortized over the estimated useful life. There was $9,048 in amortized recorded for the year ended December 31, 2023. Accumulated amortization totaled $9,048 at December 31, 2023.

(4) Fair value measurement

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2023:

	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds	$ 2,345,011	$ -	$ -	$ 2,345,011
Exchange traded funds	325,455	-	-	325,455
Bond mutual funds	2,522,348	-	-	2,522,348
Marketable CDs	-	1,164,657	-	1,164,657
Money market funds	376,901	-	-	376,901
Total investments	5,569,715	1,164,657	-	6,734,372
Beneficial interests in perpetual trusts	-	-	4,273,000	4,273,000
Total	$ 5,569,715	$ 1,164,657	$ 4,273,000	$ 11,007,372

The following table sets forth, by level within the fair value hierarchy, the Organization's assets that are measured at fair value on a recurring basis as of December 31, 2022:

	Level 1	Level 2	Level 3	Total
Investments				
Equity mutual funds	$ 3,071,429	$ -	$ -	$ 3,071,429
Exchange traded funds	528,194	-	-	528,194
Bond mutual funds	1,021,450	-	-	1,021,450
Marketable CDs	-	250,008	-	250,008
Money market funds	587,667	-	-	587,667
Total investments	5,208,740	250,008	-	5,458,748
Beneficial interests in perpetual trusts	-	-	3,807,000	3,807,000
Total	$ 5,208,740	$ 250,008	$ 3,807,000	$ 9,265,748

In accordance with FASB ASC 820, the Organization is required to disclose the nature and risks of the investments reported at net asset value ("NAV"). Investments reported at NAV as a practical expedient are excluded from the fair value hierarchy.

The Organization determines the fair value of its investments held by ACF based on its investment percentage in the consolidated ACF investment pool. ACF implements an investment strategy for these pooled funds that includes equity, fixed income, hedge funds and private equity investments. There are no unfunded commitments associated with the investments held at ACF and there are no redemption restriction provisions.

(4) Fair value measurement (continued)

Cliffwater Corporate Lending Fund – The investment objective of the Fund is to seek consistent current income, while the Fund's secondary objective is capital preservation. Under normal market conditions, the Fund seeks to achieve its investment objectives by investing at least 80% of its assets (net assets, plus any borrowings for investment purposes) in loans to companies ("corporate loans"). The fund is a closed-end management investment company which operates as an interval fund and as such, had adopted a fundamental policy to make quarterly repurchase offers, at per-class net asset value, of not less than 5% nor more than 25% of the fund's outstanding shares on the repurchase request deadline. If the value of shares tendered for repurchase exceeds the value the Fund intended to repurchase, the Fund may determine to repurchase less than the full number of Shares tendered. In such event, Shareholders will have their Shares repurchased on a pro rata basis, and tendering Shareholders will not have all of their tendered Shares repurchased by the Fund. There is no assurance that an investor will be able to tender their shares when or in the amount that they desire. There are no unfunded commitments associated with this investment.

Vida Longevity Fund LP Class A – The policy of this fund is to acquire longevity and longevity-backed assets and then seek to maximize gains by either holding their assets to term or selling them to interested parties on the secondary or tertiary market. The fund is managed by Vida Management I, LLC and capital will be distributed at each general partner's discretion, upon liquidation of the fund. There are no unfunded commitments associated with this investment.

The Organization has no other financial instruments subject to fair value measurement on a recurring basis as of December 31, 2023 and 2022.

(5) Employee benefit plan

The Organization has a 401(k) Plan that covers all employees who meet specified age and time of service requirements. The Plan provides for participating employees to defer up to 100% of their annual compensation, as defined by the Plan. The Organization did not make matching contributions to the Plan in 2023 or 2022.

(6) Net assets with donor restriction

Net assets with donor restrictions for 2023 consists of the following:

	Balance 12/31/2022	Contributions	Change in Fair Value	Releases	Balance 12/31/2023
Restricted in perpetuity:					
Beneficial interests in trusts	$ 3,807,000	$ -	$ 466,000	$ -	$ 4,273,000
Permanently endowed	-	490,000	-	-	490,000
Purpose restrictions:					
Veterinarian services/facilities	28,187	344,929	-	(25,613)	347,503
Community outreach	138,615	567	-	(124,317)	14,865
Adoptions	385	15,783	-	-	16,168
Time	100,000	-	-	(25,000)	75,000
Capital expenditures	-	869,606	-	-	869,606
Other	(887)	6,098	-	-	5,211
Total net assets with donor restrictions	$ 4,073,300	$ 1,726,983	$ 466,000	$ (174,930)	$ 6,091,353

(6) Net assets with donor restriction (continued)

Net assets with donor restrictions for 2022 consists of the following:

	Balance 12/31/2021	Contributions	Change in Fair Value	Releases	Balance 12/31/2022
Restricted in perpetuity:					
Beneficial interests in trusts	$ 4,852,000	$ -	$ (1,045,000)	$ -	$ 3,807,000
Purpose restrictions:					
Building improvements/medical equipment	12,800	-	-	(12,800)	-
Veterinarian services/facilities	111,554	112,044	-	(195,411)	28,187
Community outreach	163,990	155,000	-	(180,375)	138,615
Adoptions	385	-	-	-	385
Time	-	125,000	-	(25,000)	100,000
Other	1,473	-	-	(2,360)	(887)
Total net assets with donor restrictions	$ 5,142,202	$ 392,044	$ (1,045,000)	$ (415,946)	$ 4,073,300

(7) Endowment

The Organization’s endowment consists of a fund established by the Board of Directors to function as an endowment and a donor-restricted fund, the Mary Carol Sheets endowment, to primarily support the hiring of bilingual veterinarians and secondarily support the Organization’s growth, as approved by the trustee. As required by US GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Endowment composition and changes in the endowments are as follows for the year ended December 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2023	$ 241,291	$ -	$ 241,291
Contributions	-	490,000	490,000
Investment Return:			
Interest and dividends	1,746	5,688	7,434
Realized and unrealized gains	23,585	18,510	42,095
Appropriations for expenditures	-	-	-
Endowment net assets, December 31, 2023	$ 266,622	$ 514,198	$ 780,820

(7) Endowment (continued)

Endowment composition and changes in the endowments are as follows for the year ended December 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2022	$ 270,079	$ -	$ 270,079
Contributions	-	-	-
Investment Return:			
Interest and dividends	1,360	-	1,360
Realized and unrealized losses	(30,148)	-	(30,148)
Appropriations for expenditures	-	-	-
Endowment net assets, December 31, 2022	$ 241,291	$ -	$ 241,291

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Organization invests in domestic and international equities, fixed income, and money market strategies. The Organization targets a diversified asset allocation that places a greater emphasis on preservation of the fair value of endowment assets with the maximization of earnings as a secondary objective.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization adopted a policy, approved by the Board of Directors, which requires a portion of planned giving income will be reinvested until such time as the principal of the endowment fund has reached $100,000 before distributions will be taken. Only one distribution will be made each year as directed by the Board equal to 5% of the total value of the assets in the Endowment. In establishing this policy, the Organization considered the long-term expected return on its endowments.

The Mary Carol Sheets Endowment does not allow the Organization to withdraw funds until the endowment has been fully funded or upon the seventh anniversary of the endowment agreement. Once fully funded, the Organization may withdraw up to 5% of the total value of the assets in the Endowment during the year. The Organization may take multiple distributions up to this 5% limit per year. No distributions were taken in 2023 or 2022 from the endowment funds.

(8) Concentrations

Pledges and Bequests Receivable

As of December 31, 2023, one bequest receivable accounted for approximately 75% of total bequests receivable and one pledge receivable accounted for approximately 67% of total pledges receivable.

As of December 31, 2022, three bequests receivable accounted for approximately 100% of total bequests receivable and two pledges receivable accounted for approximately 94% of total pledges receivable.

(8) Concentrations (continued)

Revenue
As of December 31, 2023, three bequests accounted for approximately 54% of total bequests revenue and one contribution accounted for approximately 12% of total contributions revenue.

As of December 31, 2022, four bequests accounted for approximately 84% of total bequests revenue. There were no contribution concentrations during the year ended December 31, 2022.

Uninsured Cash
Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash deposits in financial institutions and investments. Cash deposits in excess of amounts insured by the FDIC of $250,000 and the Securities Investors Protection Corporation ("SIPC") of $250,000 are exposed to loss in the event of nonperformance by the financial institution. At times during the year, the Organization had cash deposits in excess of the FDIC and SIPC insurance coverage. The Organization does not anticipate nonperformance by financial institutions.

(9) Leasing activities

The Organization entered into a finance lease in 2023 for certain equipment. The lease expires in April 2028. The right-of-use asset associated with the finance lease is included in property and equipment in the accompanying statement of financial position and totaled $60,324 at December 31, 2023. Amortization expense and accumulated amortization totaled $9,048 for 2023. The finance lease liability, current and long-term portions, are presented as individual, separate items on the statement of financial position as of December 31, 2023.

The maturities of the finance lease liability as of December 31, 2023 are as follows:

Years Ending December 31		
2024	$	13,148
2025		13,148
2026		13,148
2027		13,148
2028		3,287
Total lease payments		55,879
Less: Interest		(4,065)
Present value of lease liabilities		51,814
Less: Current portion		(11,498)
Non-current portion	$	40,316

At December 31, 2023, the finance lease had a remaining term of 4.25 years and a discount rate of 3.59%. Interest expense, operating cash flows and financing cash flows on the finance lease totaled $1,352, $1,352 and $8,509, respectively, for 2023.

The Organization leases facilities and office equipment under operating lease agreements with terms expiring in various years through August 2041. Most leases include one or more options to renew. The exercise of lease renewal options is at the Organization's sole discretion. Only lease options that the Organization believes are reasonably certain to exercise are included in the measurement of the lease assets and liabilities. ROU assets and liabilities for leases that are less than one year are not recorded.

(9) Leasing activities (continued)

The operating lease right-of-use asset and operating lease liability, current and long-term portion, are recorded as individual, separate items on the statement of financial position as of December 31, 2023.

The maturities of the operating lease liability as of December 31, 2023 is as follows:

Years Ending December 31		
2024	$	122,864
2025		72,213
2026		14,022
2027		3,400
2028		1,779
Thereafter		21,348
Total lease payments		235,626
Less: Interest		(11,380)
Present value of lease liabilities		224,246
Less: Current portion		(116,882)
Non-current portion	$	107,364

At December 31, 2023, the operating leases have a weighted average remaining lease term of 3.01 years and a weighted average discount rate of 1.15%. Operating lease costs, operating cash flows from operating leases and short-term lease costs totaled $207,083, $207,706 and $0, respectively, for 2023.

(10) Risks and uncertainties

Litigation – Periodically, the Organization is involved in litigation and claims arising in the normal course of operations. In the opinion of management and based on consultation with legal counsel, losses if any, from these matters are covered by insurance or are immaterial.

ERTC - The Federal Coronavirus Aid, Relief and Economic Security Act (“CARES Act”) provided an employee retention tax credit (“ERTC”) which is a refundable tax credit against certain employment taxes of up to $5,000 per employee for eligible employers. The credit is equal to 50% of qualified wages paid to employees, capped at $10,000 of qualified wages through December 31, 2020. The Consolidated Appropriations Act of 2021 and the American Rescue Plan Act of 2021 (collectively the Acts) expanded the availability of the credit and extended the credit through September 30, 2021, and increased the credit to 70% of qualified wages, capped at $7,500 per quarter. As a result of the changes to the credit, the maximum credit per employee increased from $10,000 to $21,000.

In February 2023, the Organization filed for an ERTC of approximately $368,000 under the criteria that the Organization had a decrease in gross receipts for certain quarters covered by the ERTC. The Organization accounts for the credits by applying FASB ASC 958-605. Under this method, the Organization records contribution revenue when the contribution is deemed to be unconditional, that is when there is no longer a measurable performance or other barrier and a right of return or release from obligation to pay the contribution. Management has determined that the conditions were met in 2023 and are included in contribution revenue in the accompanying statement of activities and changes in net assets. As of the date the financial statements were issued, the Organization received the first ERTC payment of approximately $152,000 in July 2023 and anticipates receiving the second payment in 2024.

(10) Risks and uncertainties (continued)

The Organization's credit filings remain open for examination by the Internal Revenue Service through the statute of limitations, which has varying expiration dates extending through 2027. Any disallowed claims resulting from such examinations could be subject to repayment to the federal government.

(11) Liquidity and availability of resources

The Organization monitors its cash position on a weekly basis to ensure the fulfillment of all obligations and considers the funds necessary to maintain the Organization's operations within one year of the statements of financial position date with regular reviews of the budget to actual results. Planning for the following year's budget is created with this information. As part of the Organization's liquidity plan, excess cash is invested in investments and money market funds. As of December 31, 2023, the Organization's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	2023	2022
Cash and cash equivalents	$ 2,645,696	$ 2,436,903
Bequests receivable	1,156,047	578,919
Pledges receivable	272,044	143,679
Accounts receivable	8,198	5,870
Total current financial assets	4,081,985	3,165,371
Less net assets related to above amounts with donor restrictions	(1,818,353)	(266,300)
Financial assets available to meet cash needs for general expenditure within one year	$ 2,263,632	$ 2,899,071

While the Organization's investments are classified as long-term in the accompanying statements of financial position based on management's intent, the majority of the investments could be readily liquidated without significant penalty to fund operating cash flow needs, except as designated by the Board of Directors and as restricted by donors.