

ANIMAL WELFARE LEAGUE

FINANCIAL STATEMENTS

**For the Year Ended
September 30, 2022**

ANIMAL WELFARE LEAGUE

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Independent Auditor's Report

To the Board of Directors
Animal Welfare League
Chicago Ridge, IL

We have audited the accompanying financial statements of Animal Welfare League (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, 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 Animal Welfare League as of September 30, 2022 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Animal Welfare League 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 Animal Welfare League's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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, including omissions, 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 Animal Welfare League'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 Animal Welfare League'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.

Report on Summarized Comparative Information

We have previously audited Animal Welfare League's September 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 25, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Desmond & Ahern, Ltd

January 25, 2023
Chicago, IL

ANIMAL WELFARE LEAGUE
STATEMENTS OF FINANCIAL POSITION
September 30, 2022 (with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 2,588,062	\$ 3,145,652
Investments	836,634	1,046,804
Inventory	200,997	222,980
Receivables		
Trade	29,338	29,918
Legacies	964,716	964,716
Prepaid expenses	117,214	107,940
Total current assets	<u>4,736,961</u>	<u>5,518,010</u>
Fixed assets		
Property and equipment	<u>2,565,730</u>	<u>2,689,732</u>
Total fixed assets	<u>2,565,730</u>	<u>2,689,732</u>
Other Assets		
Beneficial interest in perpetual trust	<u>10,357,082</u>	<u>13,460,800</u>
Total Assets	<u><u>\$ 17,659,773</u></u>	<u><u>\$ 21,668,542</u></u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Accounts payable	\$ 114,921	\$ 82,839
Accrued expenses	52,359	-
Paycheck protection loan	-	491,790
Accrued payroll and related expenses	65,493	66,001
Total current liabilities	<u>232,773</u>	<u>640,630</u>
Net Assets		
Without donor restrictions		
General	4,504,188	4,877,379
Net investment in property and equipment	2,565,730	2,689,732
Total net assets without donor restrictions	<u>7,069,918</u>	<u>7,567,111</u>
With donor restrictions		
Purpose restricted	-	37,629
Perpetual in nature	10,357,082	13,423,172
Total net assets with donor restrictions	<u>10,357,082</u>	<u>13,460,801</u>
Total net assets	<u>17,427,000</u>	<u>21,027,912</u>
Total Liabilities and Net Assets	<u><u>\$ 17,659,773</u></u>	<u><u>\$ 21,668,542</u></u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENTS OF ACTIVITIES
For the Year Ended September 30, 2022 (with comparative totals for 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<u>Public Support and Revenue</u>				
Contributions, grants and legacies	\$ 117,672	\$ -	\$ 117,672	\$ 126,369
Special Events				
Contributions and special events revenue	16,952	-	16,952	19,737
Less costs of direct benefits to donors	-	-	-	-
Net revenues from special events	16,952	-	16,952	19,737
Animal care services	2,503,182	-	2,503,182	2,693,110
Investment income	581,564	-	581,564	507,673
Other, including forfeited deposits	500,281	-	500,281	277,334
Net assets released from restrictions	-	-	-	-
Total Public Support and Revenue	3,719,651	-	3,719,651	3,624,223
<u>Expenses</u>				
Program services	3,132,358	-	3,132,358	3,338,320
Management and general	875,791	-	875,791	774,911
Fundraising	8,881	-	8,881	4,315
Total Expenses	4,017,030	-	4,017,030	4,117,546
Change in net assets from operations	(297,379)	-	(297,379)	(493,323)
Non-operating activity				
Net unrealized/realized gain on investment	(199,814)	(3,103,719)	(3,303,533)	2,237,968
Change in Net Assets	(497,193)	(3,103,719)	(3,600,912)	1,744,645
Net Assets, Beginning of Year	7,567,111	13,460,801	21,027,912	19,283,267
Net Assets, End of Year	\$ 7,069,918	\$ 10,357,082	\$ 17,427,000	\$ 21,027,912

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended September 30, 2022 (with comparative totals for 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Salaries and wages	\$ 1,592,044	\$ 80,272	\$ -	\$ 1,672,316	\$ 1,928,474
Employee benefits and related taxes	300,986	32,071	129	333,186	364,659
	<u>1,893,030</u>	<u>112,343</u>	<u>129</u>	<u>2,005,502</u>	<u>2,293,133</u>
Professional fees	113,160	605,869	-	719,029	573,088
Animal care supplies and maintenance	576,462	-	-	576,462	509,434
Animal disposal	20,678	-	-	20,678	32,176
Repairs and maintenance	100,116	4,849	73	105,038	124,120
Utilities	143,453	7,700	115	151,268	121,865
Telephone	18,145	905	14	19,064	17,746
Insurance	72,572	4,039	61	76,672	72,867
Office and computer supplies	57,139	3,313	205	60,657	50,580
Bank fees	-	48,400	-	48,400	33,099
Employee training	295	1,946	-	2,241	6,920
Recruitment	45	155	-	200	125
Special events	-	-	8,158	8,158	2,343
Advertising and promotion	-	67,889	-	67,889	55,075
Printing	-	-	-	-	11,996
Property taxes	-	-	-	-	389
Postage and shipping	4,410	283	4	4,697	5,041
Membership dues	850	2,638	-	3,488	4,546
Interest	6,447	-	6	6,453	7,385
Miscellaneous	576	7,696	-	8,272	4,246
Depreciation and amortization	124,980	7,766	116	132,862	191,372
Total Expenses	<u>\$ 3,132,358</u>	<u>\$ 875,791</u>	<u>\$ 8,881</u>	<u>\$ 4,017,030</u>	<u>\$ 4,117,546</u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
STATEMENTS OF CASH FLOWS
For the Year Ended September 30, 2022 (with comparative totals for 2021)

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities</u>		
Change in net assets	\$ (3,600,912)	\$ 1,744,645
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	132,862	191,372
Realized and unrealized (gain) loss on investments	199,814	(171,950)
Realized and unrealized (gain) loss on perpetual trusts	3,103,719	(2,066,018)
Donated property	(311,736)	48,264
Forgiveness of Paycheck Protection Program loans	(491,790)	(300,453)
Change in assets - decrease (increase)		
Inventory	21,983	(104,486)
Trade accounts receivables	580	5,330
Legacies receivable	-	2,000,000
Prepaid expenses	(9,274)	(66,626)
Change in liabilities - increase (decrease)		
Accounts payable	32,082	(19,000)
Accrued expenses	52,359	
Spay and neuter deposit	-	(100)
Accrued payroll and related expenses	(508)	482
Net cash provided by (used in) operating activities	<u>(870,821)</u>	<u>1,261,460</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of property and equipment	(8,860)	(40,285)
Purchase of investments	(138,073)	(104,059)
Proceeds from sale of property and equipment	148,428	85,623
Net cash provided by (used in) investing activities	<u>1,495</u>	<u>(58,721)</u>
<u>Cash Flows from Financing Activities</u>		
Payments on capital lease	-	(2,773)
Payments on note payable	-	(394,002)
Proceeds from Paycheck Protection Loan	-	491,790
Proceeds from sale of fixed asset	311,736	311,736
Net cash provided by financing activities	<u>311,736</u>	<u>406,751</u>
Net increase (decrease) in cash and cash equivalents	(557,590)	1,609,490
Cash and cash equivalents, beginning of year	3,145,652	1,536,162
Cash and cash equivalents, end of year	<u>\$ 2,588,062</u>	<u>\$ 3,145,652</u>
<u>Supplementary Information</u>		
Cash paid for interest	<u>\$ 6,453</u>	<u>\$ 7,385</u>

See independent auditor's report and notes to financial statements.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

League

The Animal Welfare League (the League), an Illinois not-for-profit corporation incorporated on September 30, 1935, was chartered to prevent cruelty to animals by the advancement of humane education and maintenance of animal shelters. The Animal Welfare League also provides animal adoption programs, veterinary and clinical services. Funds are raised from service revenue, legacies, grants, fundraising, and investment activities.

Basis of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting and accordingly, reflect all significant accounts receivable, payable, and other liabilities.

Basis of Presentation

The League is required to report information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions, as required by Generally Accepted Accounting Principles. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Items that affect this net asset category principally consist of gifts without restrictions, including those designated by the Board, fees for service and related expenses associated with the core activities of the League.

With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the League or the passage of time. Items that affect this net asset category are gifts for which donor-imposed restrictions have not been met, endowment gifts, pledges, and investment returns on endowment funds. Expirations of restrictions on net assets with donor restrictions, including reclassification of restricted gifts and grants for buildings and equipment when the associated long-lived asset is placed in service, are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the League, including gifts and pledges wherein donors stipulate that the corpus of the gift be held in perpetuity and that only the income be made available for program operations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Comparative Information

The financial statements include certain prior-year summarized information in total but not detailed by function. Such information does not include sufficient detail to constitute a presentation of the prior year financial statements in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the League's financial statements for the year ended September 30, 2021, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in direct federally insured accounts and uninsured money market and re-purchase agreement account balances. The federally insured accounts may, at times, exceed the federally insured limit. The League has never experienced such losses in these accounts and does not believe that significant risk exists at this time.

For purposes of the Statement of Cash Flows, the League considers all highly liquid debt instruments, if any, purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments are carried at fair value. Realized and unrealized gains and losses are reflected in the Statement of Activities.

Inventory

Inventory, which primarily consists of drugs for the League's clinic operations, is valued on the first-in, first-out method.

Property and Equipment

Expenditures for property and equipment, and items which substantially increase the useful lives of existing assets are capitalized at cost, when the cost exceeds \$500. The League provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Buildings and improvements	10 - 40 years
Land improvements	4 - 15 years
Furniture and equipment	4 - 10 years
Vehicles	4 - 7 years
Software	3 - 7 years

Beneficial Interest in Perpetual Trusts (Permanently Restricted Assets)

Vivian B. Porch Trust – The League is a legatee of an irrevocable charitable remainder trust established by Vivian B. Porch. The League receives all of the net income from the trust and has a limited right to request payments of principal from this trust. The trust funds are classified as permanently restricted as the League is generally limited to receipt of income only.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Harry E. Chamberlain and Adrienne S. Chamberlain Memorial Fund – The League receives sixteen percent of the net income from this split-interest trust. All income from the trust is unrestricted. The trust is perpetual and the principal is recorded as a permanently restricted net asset.

Leona S. Teel and Susan H. Teel Foundation – The League is the legatee of one hundred percent of the net income from the Foundation established by Leona S. Teel and Susan H. Teel. All income from the trust is unrestricted. As the trust is intended to qualify as a charitable trust in perpetuity, the principal is recorded as permanently restricted assets.

Caroline Cepek Trust – The League is a legatee of twenty percent of the net income of this split-interest charitable endowment trust. The trust income is unrestricted and the principal is recorded as a permanently restricted asset.

Virginia W. Little Charitable Trust – The League receives one-twelfth of the net income of this split-interest charitable trust. Income received from this trust is unrestricted. The principal is recorded as a permanently restricted net asset.

Support and Revenue

The League reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. If a restriction is fulfilled in the same time period in which the contribution is received, the League reports the support as unrestricted.

The League reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the League reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The League monitors legacy revenue from the time when notification is received to its final receipt. Legacy revenue is recognized only when the amounts have been received or if before receipt, there is sufficient evidence to prove it is more likely than not that the legacy will be received and the value of the income can be measured with sufficient reliability. Receipt is probable when there has been a grant of probate, the executors have established that there are sufficient assets in the estate, after settling any liabilities to pay the legacy and any conditions attached to the legacy are either within the control of the League or have been met.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

The League recognizes contract revenue at an amount that reflects consideration to which the League expects to be entitled to in exchange for transferring goods or services to a customer. To determine the appropriate amount of revenue to be recognized for arrangements determined to be within the scope of ASC 606 (under ASU No. 2014-09), the League performs the following five steps: (i) identification of the promised goods or services in the contract; (ii) determination of whether the promised goods or services are performance obligations including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the League satisfies each performance obligation. The League only applies the five-step model to contracts when it is probable that the League will collect consideration it is entitled to in exchange for the goods or services it transfers to the customer. The League did not have any contracts with customers for the year ended September 30, 2022.

There was no contract revenue recorded in 2022 for any performance obligations met in the prior year.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ended September 30, 2022, the League did not receive any services meeting these criteria.

There were, however, a substantial number of volunteers who donated their time towards the activities of the League, the value of which was not required to be disclosed in the financial statements. These volunteers contributed an estimated 4,850 hours during the year ended September 30, 2022.

In-Kind Contributions

In addition to receiving cash contributions, the League receives in-kind contributions from various donors. It is the policy of the League to record the estimated fair value of certain in-kind donations as an asset if applicable or as an expense in its financial statements, and similarly increase donations by a like amount. For the year ended September 30, 2022, the league had no in-kind contributions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to the specific program or supporting services. Expenses related to more than one function are allocated to program expenses and supporting services on the basis of time incurred and reported by staff.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Income Tax Status

Animal Welfare League was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The League qualifies for the charitable contribution deduction under Section 170 and has been classified as an organization that is not a private Foundation under Section 509(a)(2). The tax-exempt purpose of the League and the nature in which it operates is described above. The League continues to operate in compliance with its tax-exempt purpose. The League's annual informational returns filed with the federal and state governments are subject to examination generally for three years after they are filed.

The League has adopted the requirements for accounting for uncertain tax positions and management has determined that the League was not required to record a liability related to uncertain tax positions as of September 30, 2022.

Subsequent Events

Accounting principles generally accepted in the United States of America establish general standards of accounting for, and disclosure of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The League has evaluated subsequent events through, January 25, 2023, which is the date the statements were available to be issued. No subsequent events have been identified that are required to be disclosed as of that date.

Note 2 – Financial Assets and Liquidity Resources

As of September 30, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

Financial assets, at year-end:

Cash and cash equivalents	\$ 2,588,062
Accounts receivable	994,054
Investments	836,634
Total financial assets, at year-end	<u>4,418,750</u>

Less:

Net assets with donor restrictions	<u>-</u>
Financial assets available to meet cash need for general expenditures within one year	<u><u>\$ 4,418,750</u></u>

The League manages its liquidity and reserves following three guiding principles: 1) operating within a prudent range of financial soundness and stability; 2) maintaining adequate liquid assets to fund near-term operating needs; and 3) maintaining sufficient reserves to provide reasonable assurance that programming is continued, and obligations will be adequately discharged in the future. During the year ended September 30, 2022 the level of liquidity and reserves was managed within the policy requirements.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 3 – Fair Value Measurements

Generally accepted accounting principles defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in Animal Welfare League's principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Generally accepted accounting principles establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (adjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of debt and equity investments that are readily marketable are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs) or by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on securities' relationship to other benchmark quoted securities (Level 2 inputs).

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual Equity Funds, Mutual Bond Funds, Hedge Funds, and Commodities: These investments are valued at quoted market prices, which represent the net asset value (NAV) of shares held by the plan at year-end. The NAV is a quoted price in an active market and classified within level 1 of the valuation hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 3 – Fair Value Measurements (cont.)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis at September 30, 2022 are summarized below:

	Level 1	Level 2	Level 3
Investments	\$ 836,634	\$ -	\$ -
Beneficial interest in Perpetual Trust	10,357,082	-	-
Total	<u>\$ 11,193,716</u>	<u>\$ -</u>	<u>\$ -</u>

Note 4 – Investments

A summary of investments at September 30, 2022 is as follows:

Mutual equity funds	\$ 500,960
Mutual bond funds	167,295
Hedge funds	133,192
Commodities	35,187
Total Investments	<u>\$ 836,634</u>

A summary of investment income from general investments and permanently restricted investments for the year ended September 30, 2022 is as follows:

Dividends and interest	\$ 15,779
Income from beneficial interest in perpetual trusts	576,783
Investment expense	(10,998)
Total Investment Income	<u>\$ 581,564</u>

Note 5 – Property and Equipment

A summary of property and equipment at September 30, 2022 is as follows:

Building and improvements	\$ 4,575,057
Land and land improvements	1,064,575
Furniture and equipment	1,413,491
Vehicles	261,296
Software	115,569
	<u>7,429,988</u>
Less accumulated depreciation and amortization	(4,864,258)
Net property and equipment	<u>\$ 2,565,730</u>

Depreciation and amortization expense was \$132,862 for the year ended September 30, 2022.

ANIMAL WELFARE LEAGUE
NOTES TO FINANCIAL STATEMENTS
September 30, 2022

Note 6 – Net Assets With Donor Restrictions (Perpetual Trusts)

Permanently restricted net assets consist of investments held in perpetuity, the income of which is expendable to support the general activities of the League. Following is a summary for the beneficial interest in perpetual trusts at fair value as of September 30, 2022:

Vivian B. Porch Trust (100%)	\$ 6,066,598
Harry E. Chamberlain and Adrienne S. Chamberlain Memorial Fund (16%)	2,216,015
Leona S. Teel and Susan H. Teel Foundation Trust (20%)	1,859,205
Caroline Cepek Trust (20%)	174,723
Virginia W. Little Charitable Trust (8.33%)	40,542
Total beneficial interest in perpetual trust	<u>\$ 10,357,083</u>

Note 7 – Retirement Plan

The League maintains a 401(k) defined contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. Contributions to the plan are made for all eligible employees over twenty-one years of age, with at least one year of service. Contributions are at the discretion of the Board of Directors and are based on a percent of each employee's total compensation.

The Board of Directors authorized \$12,325 in contributions for the fiscal year ending September 30, 2022.

Note 8 – Paycheck Protection Loan

In April 2021, the League received loan proceeds in the amount of \$491,790 under the PPP round two. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The League has elected to follow ASC 470 and record the entire amount of the loan as debt and accrue interest in accordance with the interest method under ASC Subtopic 835-30, Imputation of Interest until the debt is extinguished, which is in accordance with FASB ASC 405-20, when the debtor has been "legally released" as the primary obligor or the debtor satisfies the outstanding balance of the debt. Once the debt is extinguished, the liability would be eliminated and a gain on extinguishment of debt will be recorded. During the year ended September 30, 2022 the \$491,790 PPP round two loan has been forgiven and included in other revenues, and no interest has been accrued.